S. Hrg. 98-403 Pt. 1

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

PART 1 (Pages 1-880)

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD
CIVIL AERONAUTICS BOARD
CONRAIL (CONSOLIDATED RAIL CORPORATION)
DEPARTMENT OF TRANSPORTATION
INTERSTATE COMMERCE COMMISSION
NATIONAL TRANSPORTATION SAFETY BOARD
U.S. RAILWAY ASSOCIATION
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
17-539 O
WASHINGTON : 1983

S181-5

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON TRANSPORTATION AND RELATED AGENCIES

MARK ANDREWS, North Dakota, *Chairman*

THAD COCHRAN, Mississippi	LAWTON CHILES, Florida
JAMES ABDNOR, South Dakota	JOHN C. STENNIS, Mississippi
ROBERT W. KASTEN, JR., Wisconsin	ROBERT C. BYRD, West Virginia
ALFONSE M. D'AMATO, New York	THOMAS F. EAGLETON, Missouri
MARK O. HATFIELD, Oregon *ex officio*	

Professional Staff

CHARLES G. HARDIN
PATRICIA C. TUSAIE
J. MICHAEL HALL (Minority)

Administrative Support

MAZIE R. MATTSON

CONTENTS

THURSDAY, FEBRUARY 17, 1983

Department of Transportation: Page
Office of the Secretary 1

TUESDAY, FEBRUARY 22, 1983

Washington Metropolitan Area Transit Authority 109
Department of Transportation:
Research and Special Programs Administration 159

THURSDAY, FEBRUARY 24, 1983

Department of Transportation:
National Highway Traffic Safety Administration 201

TUESDAY, MARCH 1, 1983

National Transportation Safety Board 303

THURSDAY, MARCH 3, 1983

Department of Transportation:
U.S. Coast Guard 369

WEDNESDAY, MARCH 9, 1983

Architectural and Transportation Barriers Compliance Board 499
Department of Transportation:
Office of Inspector General 555

FRIDAY, MARCH 11, 1983

Conrail (Consolidated Rail Corporation) 603
Department of Transportation:
Federal Railroad Administration 609
U.S. Railway Association 615

TUESDAY, MARCH 15, 1983

Interstate Commerce Commission 667

WEDNESDAY, MARCH 16, 1983

Civil Aeronautics Board 779

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, D'Amato, Chiles, Stennis, and Byrd.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY OF THE DEPARTMENT OF TRANSPORTATION

ACCOMPANIED BY:
- DARRELL M. TRENT, DEPUTY SECRETARY
- DONALD A. DERMAN, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Today at our first hearing we have the privilege of having the newest confirmed Cabinet officer here before us. I told her a moment ago she brings a good deal of class to the act. Tragically she is followed by the same old "goats" that have been coming up with the Secretary of Transportation for a good long time.

Madam Secretary, it is a privilege to have you here. We appreciate your visits in the past and look forward to working with you in the months to come.

I don't have an opening statement. I assume my colleague from Florida has an opening statement.

STATEMENT OF SENATOR CHILES

Senator CHILES. Mr. Chairman, I do, but it is constructed so well that I wouldn't want to embarrass you by having to go through it; so I will put it in for the record and join with you in welcoming Secretary Dole.

I think that Secretary Dole certainly adds to the Department of

Transportation. Of course the experience she brings from the many roles she has displayed in regard to Government is something we look forward to. Certainly my State has a tremendous interest in transportation and those will be areas that I will be wanting to get into with the Secretary as we go along.

I just today want to welcome her in her new role and on her first appearance before the subcommittee.

[The statement follows:]

STATEMENT OF HON. LAWTON CHILES, U.S. SENATOR FROM FLORIDA

Mrs. Secretary, I would like to join the comments of Senator Andrews and welcome you to our opening hearing for the fiscal year 1984. I believe you will find warm support from the members of this subcommittee, and I look forward to working with you.

In these times of high deficits, we are all constantly looking for ways to reduce Federal spending, and the discretionary programs like those funded through this subcommittee have been under great scrutiny for the last several years. In spite of this scrutiny, transportation funding has continued at reasonable levels because it is widely recognized as an important investment in our Nation's future.

Mrs. Dole, my State of Florida has a number of strong transportation needs, and I thought it might be useful if I gave you a brief sketch of those interests. We continue to have approximately 20 percent of the incompleted miles of interstate in the Nation, and we look forward to their timely completion. With our long coastline and severe drug problem, the Coast Guard plays a very important role in my State. It is my view that the Coast Guard has been underfunded for years and continues to need improvements to its capital equipment. With a State population that has more than tripled since 1950 and become more urban, we now have 19 Florida cities with strong transit programs. There are two people mover systems under development with Federal funds in Florida and two more being developed with private money. As you know, there is a Japanese-funded study for bullet train service to Miami, Orlando, and Tampa. To be viable, this system will need to use interstate right-of-way and the Federal Highway Administration has been supportive on this matter. We enjoy Amtrak service to many of our major cities, and this service is strongly supported by our tourist industry.

We have two major airport expansion projects under way in Florida: one at Hollywood/Ft. Lauderdale and one at Fort Myers and talk of a new jet port in Dade County sometime in the 1990's.

These are just some of the transportation highlights in Florida, but as you can see, Mrs. Secretary, Florida, like most other States, has a strong interest in programs funded by the Department.

Mr. Chairman, that completes my opening statement, and I look forward now to hearing from Mrs. Dole.

STATEMENT OF SENATOR D'AMATO

Senator ANDREWS. She knows how the system works. Nobody can say she is the new girl on the block.

Senator D'Amato?

Senator D'AMATO. I am delighted and pleased to have a dear friend and one with such wit, beauty, charm, and intelligence testify before us today. Perhaps she can even get Mr. Stockman to adhere to the wishes of Congress and the President with respect to the legislation that we just forged together. I think if anyone can do it, our new Secretary of Transportation can. I certainly look forward to working with her in a constructive manner.

I have an opening statement that I would ask be included in the record in its entirety. I would indicate that it expresses some disappointment with OMB and the administration in regard to some of the proposals in its transportation budget.

Of course the administration proposes and Congress disposes. I think we are going to have to deal with the kind of attitude which is demonstrated in the UMTA proposals. Many of us supported the highway tax, the nickel a gallon tax increase, because there were specific commitments made to transportation and operating assistance in particular.

When operating assistance is cut by some 69 percent shortly after the House and the Senate came together and the President signed the bill, I believe that is thwarting the will of the Congress and the will of the people. That is intolerable.

I for one will work, as I think many will, to achieve that balance that we sought and we attained in the last legislative session.

I am certainly delighted that we have Secretary Dole with us and look forward to working with her.

[The statement follows:]

STATEMENT OF HON. ALFONSE D'AMATO, U.S. SENATOR FROM NEW YORK

Mr. Chairman, I want to add my voice to others in their greetings to Secretary Dole. I made some remarks, which are recorded in the Congressional Record of January 31, to endorse Mrs. Dole's nomination, and to call for the continuation of the major transportation accomplishments of the 97th Congress. The 97th Congress passed quite an array of transportation programs. We are looking forward to the results of these actions as the provisions of these programs begin to unfold.

Unfortunately, when we look at the administration's budget proposal for the mass transit element of the act, which the President just signed into law on January 6, the program doesn't unfold—it unravels. I want, therefore, to take this opportunity to make you aware, Madam Secretary, of the delicate compromise that we managed to forge in the Senate to achieve any highway/mass transit legislation at all.

This compromise was critical to the eventual Senate passage of H.R. 6211 because without an agreement on mass transit, there would have been no favorable Senate resolution of the President's highway/mass transit infrastructure proposal. Two factors were key to the compromise: continued Federal participation in funding operating expenses, and the use of the new $5.5 billion as additional transportation funding.

Those of us concerned with mass transit realized that certain administration and OMB officials had a philosophical problem with operating assistance, and we sought to reconcile everyone's interests on this issue. The final version of the legislation severely limits the amount of the block grant apportionments that could be used for operating expenses.

In short, the administration's position on operating assistance has been explored during the 97th Congress by both the House and the Senate, and has been found to be wanting. No mass transit legislation introduced during the 97th Congress in either House proposed any major reductions of operating assistance. The intent of Congress is explicitly clear.

A majority of us in the Senate also had grave reservations about imposing any additional tax burdens on the public. We stated that we would only support the 5 cent gas tax if the new revenue was used to supplement, and not substitute for, existing outlays of general revenues. The administration clearly understood this point. Someone is obviously forgetting or disregarding this. I am now reminding you, Madam Secretary, of it. Contrary to the administration's position, Congress believes that primary responsibility for transit lies within the Federal perview. H.R. 6211 has been signed into law: We set a very dismal example in Washington if we selectively enforce bits and pieces of laws.

The budget proposal, which cuts operating assistance by 69 percent and total levels of funding by nearly $1 billion from what we approved in H.R. 6211, is an afront to the will of the Congress, and an explicit disregard of the trust and working relationship that the Congress thought it had achieved when H.R. 6211 was being deliberated. Without the mass transit provisions and this sense of trust, there would have been no transportation bill for the President to sign. We in the Congress are very disappointed, and seriously aggrieved, to see the violation of this carefully developed compromise. We worked together to insure the enactment of what is a very progressive, yet barebones initiative to maintain our highway and mass transit systems. We now expect to move forward to fully implement this initiative.

STATEMENT OF SENATOR STENNIS

Senator ANDREWS. Thank you, Senator.

Senator Stennis.

Senator STENNIS. Mr. Chairman, I want to highly commend Secretary Dole's selection for this position. I have known her prior to her days in public service. I know of her dedication as well as her determination.

I am sorry that I am going to have to leave before she concludes her statement. We have a Rules Committee passing on money for this committee.

Just by comparison, Mr. Chairman, I was privileged to be the one that handled the first Department of Transportation appropriation bill. It was for $5.4 billion.

Senator ANDREWS. Billion?

Senator STENNIS. Yes; $5.4 billion.

This bill, as I understand, is $27 billion.

Senator ANDREWS. That is correct.

Senator STENNIS. I think with all projects, not just this one, more attention ought to be given to the administration of this money, how it is spent, watching those dollars to see where they actually go. Unless we do that, we will continue to have deficits.

That is all I have.

Senator ANDREWS. Thank you, Senator.

As usual, our good friend, the dean of the Appropriations Committee has given us some sage advice. The tragedy really in what the Senator points out is the fact that although we have gone from $5 billion to $27 billion, $5 billion buys fewer miles of road contracts than $5 billion did in those days.

As far as the infrastructure of this Nation, we are falling behind in terms of miles of road and bridges constructed, air traffic control towers kept open, and a number of other things. The Senator makes, as usual, a powerful point.

May I add in passing that I am sure the entire subcommittee wishes him well in his appearance before the Rules Committee. I can't think of a finer individual to help carry the ball with Chairman Hatfield to keep us moving than our good friend and colleague, the Senator from Mississippi.

Senator STENNIS. Thank you.

STATEMENT OF SENATOR BYRD

Senator ANDREWS. Senator Byrd.

Senator BYRD. Mr. Chairman, obviously I echo the well deserved compliments and commendations that have been expressed by my colleague. I count it a privilege to support Secretary Dole.

I have a few questions, but I think I should withhold those until the Secretary has had an opportunity to make her statement.

Senator ANDREWS. Thank you, Senator.

Madam Secretary, you can see you have the approbation of the entire subcommittee at this point. You have nowhere to go but down. [Laughter.]

But we are confident you will do well and stay on top. We will be glad to hear your statement and look forward to questions and answers.

STATEMENT OF SECRETARY DOLE

Secretary DOLE. Thank you very much.

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to appear before this committee in my first full week in office as Secretary of Transportation.

Our Department's budget for fiscal year 1984 reflects significant progress toward many of the goals established by the administration 2 years ago. That is a tribute, in my view, to the exceptional legislative partnership that has existed between the Department, the members of this committee and the Congress.

The landmark aviation, highway, transit, and related tax legislation enacted by the 97th Congress reduced Federal subsidies and generated a momentum for progress in the transportation system of this country which I shall strive not only to maintain, but to strengthen.

In that regard, I look forward to every possible opportunity to consult with Members of Congress on tranportation programs and matters of transportation policy. No issue is more relevant to either of those areas than our Department's annual budget.

The fiscal year 1984 budget moves us further toward objectives that are very important to the goals we all seek: economic recovery for our Nation and reductions in the Federal budget deficit.

The budget we are proposing calls for increased spending for our highways, our airways, and for greater transportation safety. It will enable us to move ahead more aggressively on the long overdue job of restoring our country's roads and bridges.

It will permit a significant investment in the modernization of our air traffic control and air navigation systems. It will allow us to provide greater capital assistance for public transit, and to build on the progress that has been made in reducing fatalities on our highways.

BUDGET REQUEST

Yet while we are requesting an increase in budget authority, from last year's $25.9 billion to $27 billion for fiscal year 1984, we are asking for less from the Treasury's general funds account.

As a result of the now well established policy that those who benefit from Government-supplied services should pay a fair share of the costs, fully 69 percent of the Department's requested budget authority for 1984 will be financed by user fees.

The budget we are proposing will also provide for continuing efforts already underway to improve the efficiency and effectiveness of the

Coast Guard. It will maintain Amtrak as a national system at its present operational levels, and it will support further work on the Northeast corridor improvement program.

We believe that approval of the resource levels requested in this budget will permit us to go a long way toward achieving the goals we have set for ourselves. At a minimum cost, the general taxpayers will benefit from a safer, more reliable, and more efficient transportation system.

This concludes my statement. We would be glad to respond to the committee's questions.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Secretary Dole. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF SECRETARY ELIZABETH HANFORD DOLE

Mr. Chairman and Members of the Subcommittee: I am pleased to have the opportunity to appear before this committee in my first full week in office as Secretary of Transportation.

Our Department's budget for fiscal year 1984 reflects significant progress towards many of the goals established by the Administration two years ago. That is a tribute, in my view, to the exceptional legislative partnership that has existed between the Department, the members of this Committee and the Congress. The landmark aviation, highway, transit and related tax legislation enacted by the 97th Congress reduced Federal subsidies and generated a momentum for progress in the transportation system of this country which I shall strive not only to maintain, but to strengthen.

In that regard, I look forward to every possible opportunity to consult with members of the Congress on transportation programs and matters of transportation policy. No issue is more relevant to either of those areas than our Department's annual budget.

The fiscal year 1984 budget moves us further toward objectives that are very important to the goals we all seek: economic recovery for our Nation and reductions in the Federal budget deficit.

The budget we are proposing calls for increased spending for our highways, our airways, and for greater transportation safety. It will enable us to move ahead more aggressively on the long overdue job of restoring our country's roads and bridges. It will permit a significant investment in the modernization of our air traffic control and air navigation systems. It will allow us to provide greater capital assistance for public transit, and to build on the progress that has been made in reducing fatalities on our highways.

Yet while we are requesting an increase in budget authority, from last year's

$25.9 billion to $27 billion for fiscal year 1984, we are asking for less from the Treasury's general funds account. As a result of the now well established policy that those who benefit from government-supplied services should pay a fair share of the costs, fully 69 percent of the Department's requested budget authority for 1984 will be financed by user fees.

The budget we are proposing will also provide for continuing efforts already underway to improve the efficiency and effectiveness of the Coast Guard. It will maintain Amtrak as a national system at its present operational levels, and it will support further work on the Northeast Corridor Improvement Program.

Let me turn now to a discussion of the individual programs.

FEDERAL HIGHWAY ADMINISTRATION

The Surface Transportation Assistance (STA) Act of 1982, enacted only a short time ago, is comprehensive, multi-year legislation which substantially increases the size of the highway program and the user fee revenue for the Highway Trust Fund which supports the program.

Federal-Aid Highways, the single largest account of the Department, is funded at $13.8 billion in budget authority. We propose an obligation limitation of $12.6 billion, $150 million less than the ceiling established in the Act. Other Federal-Aid programs, not included in the limitation by statute, will raise total obligations to $13.3 billion. As provided in the 1982 STA Act, $700 million for Interstate Transfer Grants-Highways is included in 1984 as part of Federal-Aid Highways. A new state grant appropriation, Motor Carrier Safety Grants, to improve enforcement of truck safety rules is proposed at $10 million.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

For the National Highway Traffic Safety Administration, we propose appropriations of general and trust funds which total $77 million to carry out NHTSA's operations and research activities, including demonstration programs designed to increase safety belt usage and to combat drunk driving.

A new account, Highway Traffic Safety Grants, is an umbrella account which includes contract authority for safety formula grants (Section 402), together with recently enacted alcohol safety incentive grants (Section 408). Total budget authority in fiscal year 1984 for Highway Traffic Safety grants is $148 million of which we propose $127 million be available for obligation. The reduction is in the Section 402 safety formula grants, which would be limited to $77 million, $18 million below the 1983 level. However, combined obligations in fiscal year 1984 for alcohol safety under Section 402 and the new Section 408 incentive program are estimated to reach almost $64 million, a 45% increase over the 1983 level. In addition to these funds, carryover obligations will be available in this account for safety education and information from the one-time fiscal year 1983 provision of $16 million in the STA Act.

FEDERAL RAILROAD ADMINISTRATION

For the Federal Railroad Administration, we are requesting $909 million in fiscal year 1984. Our request includes $682 million for Amtrak to fund a national system and assumes implementation of three reform proposals. First, all trains must meet the Route and Service and other Congressionally mandated criteria; second, Amtrak's labor protection would be made similar to Conrail's; and third, states and localities would pay all avoidable losses and capital costs on the so-called "state" and "commuter" trains.

We are continuing our strong emphasis in 1984 on enforcement of Federal railroad safety laws and regulations with special attention to hazardous materials and passenger routes, To do this, we are increasing the funding level for Federal inspectors. We are improving the cost effectiveness of this program by eliminating the costly automated track inspection program, and we are also proposing termination of the 50% Federal subsidy for the state inspection program.

As in fiscal year 1983, no funds are requested for Conrail operating subsidies. Preparations for the sale of Conrail to the private sector are proceeding satisfactorily. We are proposing that Conrail Labor Assistance be funded at $20 million, as it was in fiscal year 1983. These funds will provide for one-time severance payments to Conrail employees who may lose their jobs as a result of Conrail's restructuring, transfer of commuter services, or eventual sale to a private entity.

We are proposing elimination of FRA's major freight rail assistance programs; these are the branchline subsidies, redeemable preference shares and loan guarantees. The need to provide transitional funding to marginal or bankrupt railroads to assist them through a crucial period of adjustment in the railroad industry has ended.

Our rail proposal assumes that the planned transfer of the Alaska Railroad to the State will take place early in fiscal year 1984. We expect the United States Railway Association to complete the required evaluation study while the State legislature is still in session, so that negotiations for final transfer can be closed expeditiously. The budget we propose also assumes that direct Federal funding for the Northeast Corridor Improvement Program will be completed with a $100 million 1984 request.

URBAN MASS TRANSPORTATION ADMINISTRATION

For the Urban Mass Transportation Administration, we are requesting budget authority of $3.9 billion in 1984. While this represents an overall reduction of about 10% from the 1983 enacted level, the portion directed to capital programs is once again increased. In fact, when compared with the 1982 capital program, the 1983 and 1984 UMTA capital programs have been increased by 31% and 44%, respectively. This is in keeping with the Administration's program for rebuilding and modernizing our Nation's transit systems. It aims at correcting the under-capitalization of these systems, so that their benefits will not be lost to the inhabitants of our cities. We continue to plan on the eventual elimination of operating subsidies.

A major source of capital funding will be discretionary grants funded from the new Mass Transit Account of the Highway Trust Fund. We are proposing an obligation limitation of $1.1 billion against the enacted contract authority of $1.25 billion, consistent with the Treasury's estimate of annual highway user receipts.

For the new Formula Grants program established by the Surface Transportation Assistance Act of 1982, we have included an appropriation of $1,974 million, for both urbanized and non-urbanized areas. We are proposing appropriation language limiting operating assistance to approximately $275 million in urbanized areas and $18.5 million in non-urbanized areas. Consistent with the policy that service levels, equipment, facilities, fares, wage rates, and management practices are better left to local governments or to the private sector, we will recommend that none of the formula grant funding be available for operating assistance after fiscal year 1984.

Additional capital funding to modernize the Nation's transit systems is also proposed through the Interstate Transfer Grants program, for which we are requesting the full fiscal year 1984 authorized amount of $380 million. For the Washington Metro, we have budgeted $275 million for capital expenditures. Of this, $230 million is requested under the Stark-Harris authorization. The remainder will be available through the Formula Grant provisions and from Discretionary Grants or Interstate Transfer Grants.

An appropriation of $82 million is proposed to continue technical assistance efforts in research, development and managerial training, as well as to cover UMTA's general administrative expenses and fund minority business enterprise assistance activities.

FEDERAL AVIATION ADMINISTRATION

For the Federal Aviation Administration, we are proposing budget authority of $5,031 million, an increase of $850 million over fiscal year 1983, financed primarily from increased user fees resulting from enactment of the Tax Equity and Fiscal Responsibility Act of 1982. A separate title of the Act, known as the Airport and Airway Improvement Act of 1982, provides multi-year authorizations for appropriations from the Trust Fund. The Act inaugurates a new era of airways modernization and a more rational allocation of FAA costs to those directly benefiting from them. Consistent with the Act, approximately 67% of FAA's total budget authority is proposed for Trust Fund financing in 1984.

Safety continues to be our guiding principle in the funding of FAA activities. Following the illegal air traffic controller strike in August 1981 the FAA has rebuilt the system and controlled traffic flow so that presently we are handling slightly more than 90% of pre-strike traffic levels, with full recovery scheduled for later this year.

FAA's Operations appropriation request allows us to employ the 14,000 controllers needed for the strike recovery plan. The appropriation request of $2,702 million in 1984 includes approximately $1.1 billion to be drawn from the Trust Fund. The increase for Operations of $111 million over fiscal year 1983 represents increased salaries and benefits, and payments for services provided by other agencies.

The Research, Engineering and Development request of $286 million is the full amount authorized. Highlighting the request is $157 million for advanced computer work, which is at the heart of long-range modernization plans.

Our funding request for $1 billion for Facilities and Equipment for the second year of procurements to be made under the National Airspace System plan, is based on a realistic technical assessment of actual needs.

Previously scheduled long-range procurements in the NAS plan are not ready for procurement in this budget year. We plan to budget for the additional $393 million authorized for fiscal year 1984 in future years.

For Airport Grants-in-Aid, we are requesting an obligation limitation of $700 million, which is $100 million higher than that enacted for 1983. This request, coupled with funding available in the two previous years, will have provided almost $1.8 billion for this program.

Locally, the two Metropolitan Washington Airports appropriations show an increase of $7 million. This includes funds for capital improvements. Forecasts for the operation of Washington National and Dulles International and associated estimated receipts reflect a net profit for the year.

U. S. COAST GUARD

For the U. S. Coast Guard, we are requesting budget authority of $2,545 million, a net increase of $79 million over fiscal year 1983. During this past year, the Coast Guard completed the Roles and Missions Study, the results of which have been provided to this committee. Consistent with both the major recommendations of that study, and the continuing concerns of the Administration and the Congress, this budget will strengthen the Coast Guard's ability to enforce the Nation's laws on the high seas and to meet the Coast Guard's national defense commitments.

An additional $81 million requested for Operating Expenses will provide funds for operation and support of additional new aircraft and vessels coming on-line and for new initiatives to improve law enforcement and defense readiness.

Because contractual requirements for annual funding increments for the Coast Guard's three major cutter and aircraft programs will be substantially lower in fiscal year 1984, total funds requested for capital acquisitions and improvements--$379 million--will provide an increase of $173 million over the fiscal year 1983 level in the amount available for other new acquisitions and renovations. Of particular note, funds will be provided to begin renovation of the Coast Guard's two principal classes of operating cutters and to continue the renovation of its long-range search aircraft.

We are proposing a 10% increase for Coast Guard's Research and Development program. A level of funding of $55 million for Reserve Training will permit the Coast Guard to meet planned training objectives for its 12,000 Selected Reservists. For Recreational Boating Safety, we are proposing an obligation limitation of $5 million on the contract authority authorized for fiscal year 1983. This maintains the same level of first-year funding provided in the fiscal year 1983 Appropriations Act. For fiscal year 1984, we are proposing a $15 million limitation, the full amount authorized by law for boating safety.

Finally, we will be proposing legislation for a level of user fees to recoup the direct costs of selected services the Coast Guard provides to identifiable groups, with particular emphasis on commercial users of Coast Guard services. Our estimate of total receipts in fiscal year 1984 is $58.5 million.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

The St. Lawrence Seaway Development Corporation plans to make full use of its estimated fiscal year 1984 revenues of $12.5 million to fund normal operating and maintenance costs, to accomplish selected maintenance and equipment replacements necessarily deferred from previous years and to continue structural repair of the Eisenhower Lock. As a result of forgiveness of its debt in the fiscal year 1983 Appropriations Act, it will no longer be necessary for the Seaway Corporation to set aside major portions of current revenues for debt retirement.

OFFICE OF THE INSPECTOR GENERAL

For the Office of the Inspector General, our fiscal year 1984 request of almost $26 million will permit continuation of the Inspector General's 1983 level of effort in audits and investigations.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

For the Research and Special Programs Administration, our $20.3 million fiscal year 1984 request continues the fiscal year 1983 programs, but with an increased emphasis on safe transportation of hazardous materials. We propose no reduction in grants to states for pipeline safety, and we are requesting increases for the Materials Transportation Bureau and for emergency transportation programs. These increases are offset in part by a decrease in long-term, generalized research, such as the university research program.

OFFICE OF THE SECRETARY

For the Office of the Secretary, the requests for general administration, coordination, and direction of departmental activities, along with that for the central research appropriation used mainly in planning and policy development, amount to $49.8 million. This includes contract support totalling $4 million for the Minority Business Resource Center. In fiscal year 1984, Transportation Planning, Research and Development activities will continue to place emphasis on issues dealing with achieving greater efficiency in providing transportation services and facilities, placing an appropriate share of transportation costs on users, and lessening the burden of Government regulations. The request for this account, $7.3 million, takes into account the greatly reduced levels in fiscal years 1982 and 1983 which permitted minimal activity only.

We believe that approval of the resource levels requested in this budget will permit us to go a long way toward achieving the goals we have set for ourselves. At a minimum cost, the general taxpayers will benefit from a safer, more reliable, and more efficient transportation system.

This concludes my prepared statement. We would be glad to respond to the Committee's questions.

INTRODUCTION OF WITNESSES

Secretary DOLE. I would like to introduce the people on each side of me. I think most of you already know Darrell Trent, Deputy Secretary, and Donald Derman, Assistant Secretary for Budget and Programs, handling budget matters. I am pleased to have them with me this morning.

We will be happy to respond to your questions.

Senator BYRD. Mr. Chairman, I was not aware that anyone was on either side of Mrs. Dole. [Laughter.]

Senator ANDREWS. I didn't notice. As a matter of fact, I think the panel was looking straight at the Secretary. The Senator from West Virginia always brings out an excellent point. [Laughter.]

EFFECTS OF DEREGULATION

Madam Secretary, we appreciate your statement.

In the field of deregulation, in your opinion do we really know where we are going in transportation deregulation?

Secretary DOLE. Mr. Chairman, let me start by saying that I have to just give a little past history here because as you know I served on the Federal Trade Commission for a number of years and we were the first——

Senator ANDREWS. As a matter of fact, when you were on the FTC, I was on the subcommittee in the House that funded it.

Secretary DOLE. Indeed, I remember it well.

We were the first to speak out in the Federal Government for deregulation at the FTC. We felt that if we were going to speak on this subject, we should put our own house in order first and we reviewed our own regulations. We determined we had 145 regulations that no longer served the public interest and we proceeded to rescind those regulations.

Then we began to intervene before agencies, CAB, ICC, and others, to promote more competition in the marketplace rather than more regulation on the theory that you are going to get better quality goods and services, lower prices, and more innovative choices if you are promoting head-to-head competition in the marketplace. That is where I come from and that is my background on this subject.

I do feel that the record to date shows that the deregulatory efforts that have taken place thus far, whether we are talking about airlines or rails or trucking, have gone well so far. It has improved operating efficiencies. It has provided opportunities to give more options on fares and on lower prices. Generally it has been working well. Of course for buses it is still early, because that was late 1982.

Now, I do recognize that we are in a transition period and that there are going to be some dislocations and I am very sensitive to that. I want to be helpful in any way I can during that transition period.

Senator ANDREWS. Do you see any cause for a midcourse correction?

Secretary DOLE. No, sir, I don't. I really would urge that we move forward, thinking more of further deregulation and, as I say, being very sensitive during the transition period. I believe it is working well and that the record reflects that.

AIRLINE FARE PRICING

Senator ANDREWS. In mentioning airline fares, you mention the fact that airline fares have come down, and they have in some instances, but that is not true in all instances. As a matter of fact, the airlines fares out of Fargo, N. Dak., and out of Tupelo, Miss., and I suspect out of a number of other towns have gone up sharply.

There has been some talk given to the fact that perhaps one way of eliminating this kind of predatory pricing, where the passenger in a smaller town or in a smaller State pays through the nose to subsidize the vaunted low prices that everybody talks about and too few people get, would be to take a look at the airline pricing structure and take a look at the fact that they are charging a disproportionate surcharge on captive passengers.

Perhaps we should consider a concept whereby the airlines could not charge more than 30 percent more per mile on their more expensive segments than what they charge on their cheaper segments. That means if somebody flies out of Tupelo or some town in West Virginia or some town in North Dakota, they are not going to pay more to fly 200 miles to Memphis or Minneapolis than they pay to fly from Memphis to New York or Minneapolis to New York.

In effect, a lot of these people are getting darn sick and tired of what is going on. In fact, a Congressman from St. Louis can buy a ticket from Washington to San Francisco, get off at St. Louis and throw the rest of the ticket away and do much better than if he buys a ticket from Washington to St. Louis.

It may be time to go with this type of arbitrary fare cap so that you don't have the fare gouging of those people who have no choice or maybe we should take a look at the possibility of setting up a Presidential commission to study the airline fare wars, the nonprofitable fares in high density, competitive markets, the gouging fares in monopoly markets, and the destructive airline competition where one airline can lay up against another. This was alleged to have been done in the case of Braniff's destruction. A healthier airline cut prices and gouged fares and they say some of that is going on now.

We have to address other things like passenger no-show problems and poor air service to smaller communities and no air freight service to some of the small communities in North Dakota, Mississippi, West Virginia, and I am sure upstate New York.

Would there be some merit in setting up a Presidential commission to look into this, having the President put together a commission of some ex-CAB people, ex-DOT people, maybe some past airlines' presidents, maybe some people with some experience in public policy?

My concern, Madam Secretary, is the fact that I don't think we are doing our job if we say everything is rosy and sunshine when we know it isn't. I am not arbitrarily going to say putting a cap on surcharges on airline segments that are discriminatory is necessarily the answer, but I don't think we ought to sweep it under the rug. I don't think we ought to say that something untoward is not happening out there.

I wonder what you might think about this type of Presidential commission, look into it, report back to Congress within 4 or 5 months as to what they would recommend?

ECONOMIC IMPACT

Secretary DOLE. Let me say first of all that I think we have to look at this in the market as it exists, the problems that the airlines have been having in terms of the recession and high fuel costs.

I feel as we pull out of the recession, as the recovery begins, that this is going to, of course, produce some very positive effects in terms of the traffic, the whole picture for the airlines industry.

But the point in my mind about open competition is that if airlines are free and there is open entry into the domestic airline industry, it places any carrier at a competitive risk if they are pricing at an unreasonable level.

I think new interests are aggressively moving to provide the services where they see this kind of situation. The fare reregulation would inhibit the ability of efficient carriers to price aggressively in order to grow into those new areas.

So, I would just hope that we would give this a chance to work, leave it here a little longer and give it a chance to prove itself.

PRICING DEREGULATION

We are obviously trying to be sensitive to the problems, but to move now in a manner such as you suggested would put us right back into regulation again and I don't think the industry wants to reregulate at this point.

Senator ANDREWS. Some of the industry might not. Some of the industry might. Who really knows? You work from history. If you don't take a look at history, you really suffer. One hundred years ago the robber barons of the railroads were gouging certain towns and giving sweetheart deals to others, gouging certain companies and giving low rates to others.

You say competition is going to do it. I happen to be somebody who lives in a major city which has five or six airlines flying in and out to another major city, but if you are trying to fly from New York to a town in West Virginia, you don't get any fancy low-cut deal where there is only one airline going there.

If you are coming out of some of these other small cities, whether Kansas or upstate New York, service is limited. The service they have now in upstate New York is ridiculous.

Let us say two airlines go into a State like North Dakota and they make a nice little book and they charge four times as much to fly 200 miles as they charge other passengers to fly three times that distance. That is not fair. I don't think we ought to overlook it.

You say, one, we ought to let the economy improve and that will solve it?

Secretary DOLE. I say that one of the things that, of course, has been detrimental to the industry is the recession.

PRESIDENTIAL COMMISSION

Senator ANDREWS. Where would we get better ideas as to the merits of the problem and the solution to the problem than by setting up a Presidential commission with a time certain to report back, and what is wrong with having a couple or three answers before tragedy strikes and the roof falls in?

One more bankruptcy and school is out. Or two more—you know how Congress works, because you have been around for a while watching it—and we will get all kinds of legislation that may or may not be the proper type.

Secretary DOLE. You know, I am happy to take your comments, but I really could not at this point say that I would recommend a Presidential commission. I do feel that we are in a transition period where as we move from regulation to deregulation some are doing well, others are not doing so well, but I am optimistic about the general thrust.

As I say, I want to be very sensitive to the problems. I would not feel prepared at this point to say that we ought to have a commission.

Senator ANDREWS. You feel that in-house you have the talent that will be able to come up with the suggested changes if, as, and when we need them?

Secretary DOLE. We will try to be giving our best effort to look at all the problems, not only in the airline industry, but in the other modes of transportation. I think we do have a lot of expertise in the Department and working with the Congress we will be happy to discuss all ideas and to work with you closely.

Senator ANDREWS. I take it while you haven't endorsed that type of Presidential commission, you haven't said no, it is not a good idea either?

Secretary DOLE. I am a great advocate of deregulation. I am very optimistic as we move through the transition period we will see more and more progress and fewer and fewer problems and hopefully many of these will be resolved.

Senator ANDREWS. We are still waiting to see that. Deregulation is a lot like being in favor of motherhood and against sin.

Legislation has been introduced in Congress to abolish the ICC, CAB, and FMC and merge the residual functions of these regulatory agencies into a new transportation commission.

CIVIL AERONAUTICS BOARD

What is your position on accelerating the sunset of CAB and what is your reaction and recommendation on the issue of where the regulation functions should reside?

Secretary DOLE. Mr. Chairman, I feel the first thing we need to do is to define what functions should remain as far as the FMC and ICC; in other words, determine what residual duties will be necessary and then when we are clear on what will remain, what will be important, then determine the best way to handle those.

As far as CAB's sunset, right now the date is for January 1985 and of course at this point the Department of Transportation is working closely with the CAB. In fact, we are sponsoring a seminar in a couple of weeks where a number of people are coming together to focus on the residual activities as far as CAB is concerned.

There has been some concern expressed about some functions such as international airline routes being moved over—in the case of that particular function, to the Department of Transportation—would it be too political, that kind of thing. I am convinced that will be worked out and we can handle that in the Department without politicizing it. But that is the kind of thing being focused on right now.

I would favor moving forward to meet that sunset date. I think at this point if we can get those residual matters resolved and meet the date that has been set out, we will be making very positive steps.

COAST GUARD SURVEILLANCE AIRCRAFT

Senator ANDREWS. Madam Secretary, I also serve on the Defense Appropriations Subcommittee, and this past week I was taking a look at some of our aircraft potential. We have heard about AWACS. We now have a good deal of interest in using the Navy E–2C surveillance aircraft in drug interdiction, particularly in the southeast part of this country.

Every American supports the President's initiative in trying to gain increased interdiction of these drugs that are entering our country. The Coast Guard has played a key role in that. This subcommittee has recommended the Coast Guard ships be purchased out of the Defense Department's funds because they revert to the Navy in time of war.

We are concerned about giving every possible tool to the Coast Guard and the effort that they are conducting down in the southeastern part of the country. We know they have begun to use the E–2C aircraft. The Navy flies them and a Treasury agent sits alongside. You get an extra person involved in the overall effort.

Why wouldn't it make sense to recommend that the Coast Guard be given or obtain four or five of these E–2C surveillance aircraft? They will be in the stockpile. They will be able to be used for search and rescue work on our coast, wherever it might be, and they will be available for the military anytime they want to go into a military function.

They would be much better able to function in the Caribbean where other nations down there have a little skitchy feeling about naval planes flying around and are rather used to Coast Guard planes.

Have you or your people given any thought to the possibilities of including this new system as a Coast Guard function on a shared basis with the military instead of having the Navy maintain the planes separately and have them available only once in a while for the Coast Guard for this kind of operation?

Secretary DOLE. Mr. Chairman, I will be happy to look into that and to report back to the committee on it. I would like an opportunity to really look carefully at that. It is a very interesting idea. Of course there would be a maintenance and training aspect to that.

Senator ANDREWS. That type of bird is totally in sync with the birds you now have in the Coast Guard. You might have to upgrade some people for the computer and detection problem, as I understand, but the aircraft itself is not dissimilar from the aircraft the Coast Guard does fly and does maintain.

Secretary DOLE. I will be happy to look into that.

Senator ANDREWS. Our hearing for the Coast Guard is scheduled for March 3. Could you present to us by the end of this month a report on your preliminary analysis, the applicability of the E-2C's to the Coast Guard mission along with several alternatives as to how the acquisitions might best be achieved?

Secretary DOLE. I will do my best to meet that deadline.

RAIL BRANCH LINES

Senator ANDREWS. I am sure we will have the wholehearted cooperation of Senator Stevens and his committee. But we need the information from you as to how you feel it can best fit in.

One final question and then I will yield to my colleagues.

As you know, this committee has been very active on the issue of branch line abandonments, and remains concerned over the impact of abandonments on moving of agricultural and other products.

Is this one of the problem areas in transporatation that you will be reviewing early in your administration?

Secretary DOLE. I am sensitive to any matters that are going to impact in a negative way on our small communities. I think on any action that is taken we need to be sensitive to the impact on the smaller communities, on the little guy, if you will. That aspect of the problem is something that I will be very sensitive to. As we make decisions at the Department of Transportation, I will want to know how this is going to impact on all persons involved and on all communities involved, whether you are talking about small carriers, large carriers or whatever.

. So, I would just say in terms of the abandonment of the railroad lines that certainly that is something I will be sensitive to.

Senator ANDREWS. We appreciate that sensitivity. That is a good beginning. We would appreciate your keeping the committee apprised of any review you might make of these branch lines.

I would like for now to ask you to submit for the record, if you don't have those figures available right now, whether your budget request includes any room for funds or initiatives to address this matter along with a summary of how you plan to proceed over the next few months in addressing branch line problems.

Do you have a designated part of your budget set aside for this study?

Secretary DOLE. No new funds are being requested.

Senator ANDREWS. Could you designate part of your ongoing funding to find out what is happening in this field?

Secretary DOLE. There is nothing specific that is laid out in the budget as such. I will be happy to provide more detail on that as you suggest.

[The information follows:]

FUNDING PLANS FOR BRANCH LINES

From 1976 to 1983, $430 million has been appropriated to States to help them deal with the problem of line abandonments caused by the reorganization and restructuring of bankrupt railroads in the Northeast and Midwest. This funding has given States with the most serious problems time to develop their own non-Federal sources of funding from bond issues, State appropriations, gas, and other highway user taxes. The following States have established rail programs: Connecticut, Delaware, Indiana, Iowa, Massachusetts, Maryland, Michigan, Mississippi, New Hampshire, New York, Oklahoma, Pennsylvania, South Dakota, and Wisconsin.

Also in 1983, part of the redeemable preference share program, which provides low-cost loans, is being made available to finance the acquisition and rehabilitation of Milwaukee and Rock Island lines, most of which serve grain growing areas.

Regarding your question on studies, in conjunction with our 1981 analysis of rail service in the Northeast, we have studied the impact on shippers of the loss of rail freight service. The results of the study are included in our March 1981 report to Congress on the future of rail service in the Northeast. Based on those results, we believe that the dislocations which would impact low-volume shippers can be minimized by service alternatives such as the use of trailer-on-flatcar and centralized loading facilities. Ultimately, service alternatives will result in a more permanent solution than continuation of a limited formula grant program.

Specifically, 135 companies were studied to determine the impact of lost rail service. In all but two cases the firms were able to shift to alternative forms of transportation, and in only seven cases did business reductions result in employee layoffs.

INTERMODAL TRANSPORTATION

Senator ANDREWS. You know the catchy new word in transportation is intermodal and everybody is going intermodal.

Do you suspect in this headlong race toward being intermodal that we are in effect siphoning off funds from railroads that could otherwise be used for branch lines, that are now being used or being sacrificed on the altar of intermodality or do you know?

Secretary DOLE. I am not aware that that is occurring.

Senator ANDREWS. Let me run a little deal by you.

If a railroad purchases a nonrailroad firm and spends tens of millions of dollars for that nonrailroad firm and for 1½ or 2 years leading up to that purchase has been pleading the fact they just don't have money enough to rehabilitate the branch lines that gave the railroad its original traffic, do you think that might have some impact on branch line maintenance or do you think that we should be looking at that?

Secretary DOLE. I would like to suggest that we look at it, as you said. I would not want to respond to that without really looking at it carefully and understanding the economics of the situation and the kinds of criteria that would be followed in determining when abandonment would be considered because certainly criteria are utilized. So, rather than give a general answer, I think we should look carefully at it.

FEDERAL ROLE IN INTERMODAL TRANSPORTATION

Senator ANDREWS. What do you think the appropriate Federal role should be in regard to both promotion and regulation of intermodal transportation on multimodal transportation companies?

If you have a big trucking company going in and deciding it wants to launch into warehousing or airlines or whatnot, does that then take away from its ability to serve the rural areas with trucking service and is that something we ought to be concerned about?

If we have a railroad that wants to all of a sudden get into some other kind of business and its holding company moves money from its operation in railroading into a new operation, do we sanction this romance with the new kid on the block or do we say it is important that he keep the money that was earned from serving the old customers, or do we hide our head in the sand and think it is going to go away?

Secretary DOLE. I think the steps taken recently to permit the railroads, for example, to move into the trucking area were positive steps. I would feel that this is a direction that permits——

Senator ANDREWS. I think that is fine, too, because it is integrating transportation, but is it siphoning assets away from some needed area?

Secretary DOLE. That is a question I feel I am not in a position to answer this morning. It is something that certainly should be looked at carefully.

I am sure with the ICC, for example, that is certainly one of the things that would be considered in the overall picture. I really don't feel I can answer specifically. Things are happening, but the overall picture has to be looked at.

Senator ANDREWS. You have assured us of your sensitivity in that area. You have also assured us that part of the mission of your staff will be to oversee that and be able to give us some information as to what you might recommend appropriately later on, either when you come up for further hearings or when you come up for supplementals or whatever else.

It is a thing that concerns the members of this subcommittee very greatly, not just what has happened to the airline deregulation, but this whole intermodal "gather unto us new and dissimilar companies," and milk the capital that might otherwise have been used for the basic transportation companies that service areas that don't have any alternative.

You can be sure we will be looking with interest at that.

Secretary DOLE. I will be happy to learn more of the specific concerns of the committee and try to provide answers or whatever would be helpful in writing.

[The information follows:]

INTERMODAL OWNERSHIP

There is no reason to believe that railroads are deferring maintenance on rural branch lines in order to acquire the necessary cash to purchase other transportation companies.

The primary reason for the abandonment of certain rail lines is that they are uneconomical in light of competing barge and truck service. Historically, the ICC has prevented—or forestalled—necessary railroad abandonments, and this has been a major contributing factor to the industry's generally poor financial performance. Even with regulatory reform, the ICC has determined that the overwhelming majority of rail carriers do not earn adequate revenues. However, because of certain reform provisions, most notably contract rates and greater pricing freedom, rail carriers have much more incentive to maintain service over light-density branch lines than they previously did.

Greater intermodal coordination between rail and motor carriers and rail and barge carriers offers the prospect of improved service for shippers and a stronger transportation sector financially. In order to achieve the service and financial benefits of improved intermodal coordination, I believe it is necessary to remove the existing barriers to intermodal ownership.

AIRLINE DEREGULATION

Senator ANDREWS. Senator Byrd, I know you have another commitment.

Senator BYRD. Mr. Chairman, I think the time of this subcommittee will be very much better spent if you continue your line of questioning and the statements you have been making, but I do have two or three questions I would like to ask.

I think your idea of a Presidential commission is fine. I suppose one can point to the recession as having had some impact on the airlines, but our problems subsequent, to deregulation, meaning the people of West Virginia, were already manifesting themselves before the recession.

Fares more than tripled. Airlines took immediate advantage of deregulation and dropped routes in West Virginia virtually without consulting the people who would be affected. Communities which have improved their airports and raised local moneys to improve airports were left without service.

Senator ANDREWS. I might tell my friend that Fargo, N. Dak., is 200 miles from Minneapolis, Minn. You now share a ride with your friend to go down and catch an airplane in Minneapolis.

The head of the Minneapolis Airport Commission was in my office and pointing out they had to have a multimillion-dollar parking ramp to take care of the North Dakota cars that drive down because it costs $100 to fly there. Two or three people can ride together and park their car on the ramp and fly where they want to go. This is not talking about small loads, but 727's that are full.

I would suspect my colleague from West Virginia has seen the same thing happen in his town.

Senator BYRD. I can recall when a round trip fare to Charleston from Washington was $70. I am not going back further when it was cheaper. That was before deregulation. Now a round trip fare is over $200.

States like mine have difficult terrain and they are talking now about cutting out bus services—bus companies have applied to the Public Service Commission to discontinue public services. We are paying for the cheaper air fares that many people are receiving on a long flight. This is not due to the recession.

I voted for deregulation. I wish I had the opportunity to vote again.

Senator ANDREWS. I made the same mistake and then got to railroad deregulation and that was a handful.

Senator BYRD. If I have the opportunity again, I am going to vote against it as far as airlines are concerned.

Senator ANDREWS. I might assure my colleague I will vote for reregulation unless we get a Presidential commission going.

THE CARDINAL

Senator BYRD. Mr. Chairman, I have three areas of questioning.

I have three interests I would like to discuss with you, Madam Secretary, this morning.

One concern to me is the Cardinal, the passenger train which operates between Washington, D.C., and Chicago. Ridership on the train has improved 34 percent over the past year. While the train does not yet quite meet the minimum passenger-mile per train-mile criteria, it has made constant improvement in that direction. Now it comes close to the minimum level. I think that minimum level is the 150 passenger-miles per train-mile criteria. I believe the Cardinal is now up to 141.

So there has been considerable improvement. The avoidable loss figures for the Cardinal have also improved dramatically. This improvement has occurred at a time when long-haul passenger trains and the Amtrak system in general have lost approximately 12 percent of their ridership during the past year.

Suddenly the Cardinal is doing very well and I would expect it to continue to improve.

Can you elaborate on what your Department has done or plans to do to improve service and encourage greater ridership on the Cardinal during fiscal year 1983 and in the future?

Secretary DOLE. That of course is the responsibility of Amtrak.

Senator Byrd, let me say I am very much aware and I appreciated the opportunity to talk with you about the Cardinal earlier and I am also aware that Congress has asked us to support it despite the fact it does not meet the criteria.

My understanding of it is that it is close to meeting the criteria of the minimum passenger-mile per train-mile, but has met the maximum short-term avoidable loss per passenger-mile. I am certainly aware of that situation.

As I say, we are concerned that it meet the statutory criteria, both the ridership and cost criteria, and understand the Congress position on this.

Senator BYRD. I understand that the Cardinal meets the loss criteria.

Secretary DOLE. The maximum short-term avoidable loss per passenger-mile?

Senator BYRD. Yes; I understand that it meets that criteria.

Secretary DOLE. The information we have here is that the statutory criteria would be a 10.5 cents maximum loss and the 1982 performance was 4.5, so the Cardinal does meet the loss criterion.

FEDERAL COSTS OF THE CARDINAL

Senator BYRD. How much subsidy does the Federal Government actually pay to continue the operation of the Cardinal?

Secretary DOLE. I am advised that it is about $5 million a year.

Senator BYRD. Does that take into account the revenues that are generated which partially offset the cost to operate the Cardinal?

Secretary DOLE. We will have to check that. I will get that to you.

[The information follows:]

For fiscal year 1984, Amtrak has projected operating expenses of $9 million and revenues of $4 million for the Cardinal. Thus, the Federal subsidy impact of the Cardinal is $5 million.

GREENBRIER TOWER

Senator BYRD. I would like to speak briefly concerning the Greenbrier Valley Airport tower.

When I was chairman of the subcommittee some years ago I was able to have the committee and the Congress proceed with the location of an air traffic control tower at the Greenbrier Valley Airport in Lewisburg. This is a commercial airport that uses the Piedmont Airline. It is also perhaps certainly one of the finest spas anywhere in the country.

We have had Kings and Presidents and Senators and people from all walks of life visit the Greenbrier and there are at times, especially in the heavy convention season, hundreds of flights in and out of this airport every day. It is an excellent location for a convention.

There is a $400,000 tower there that is sitting vacant. It cost $400,000, Mr. Chairman, when I was chairman of this subcommittee and would undoubtedly cost much more now. But there is no one to manage it.

Now, I have spoken with you also, Madam Secretary, about this matter so that you are aware of my concern and the concern of the people who use the airport that this safety hazard be removed. I would like to ask these questions.

How many air traffic control towers were temporarily closed as a result of the air traffic controllers strike?

Secretary DOLE. I cannot give you that figure today, but there are 41 towers that have not been reopened at this point, Senator Byrd.

The FAA, by the way, is currently reviewing that situation with regard to those 41 towers to determine if they should be manned. Certainly this one is very much under review.

Senator BYRD. I had written to your predecessor and I believe I supplied you with a copy of that letter?

Secretary DOLE. Yes, sir.

Senator BYRD. I have written to the FAA calling attention to the fact that this airport is used considerably. There is a commercial airline going into it, as I have stated. Many jet craft and propeller craft use the airport.

The Greenbrier provides jobs for a good many people. Considering the terrain and the period of heavy traffic, I hope that whatever support you can give to the reopening of this tower would be forthcoming.

The logistics are always a problem when there is a heavy mix of corporate jets, single-engine aircraft, and commercial aircraft. These problems are intensified during the peak periods at the airport because of West Virginia's mountainous terrain and fog. This particular area is subject to heavy fog at all times of the year, in early morning hours and afternoon hours.

So it is impossible to maintain the narrow margin of safety without manning this control tower. It is imperative that the people feel secure in using the airport because, as I have already indicated, most of the traffic is associated with conferences at the Greenbrier and with tourism and recreation benefits in areas near the Greenbrier.

While I believe this area offers the finest facilities and recreational benefits in the country, they have ski areas not too far away from the Greenbrier and we have the Cass Railway which attracts many tourists every year. I am concerned that an accident could occur and even without a tragedy I think the fact that the tower is not being manned can bring about a loss of convention money to the hotel and consequently a loss of jobs in Greenbrier County. All this because of the unwillingness to hire one person for one 8-hour shift to operate the tower.

I would hope that the tower would be reopened.

Do you have any comments you would like to make?

Secretary DOLE. Senator Byrd, certainly safety is very important to us at the Department of Transportation. In fact, my view of that is that we have no more important mandate than the safety mission of that Department in all modes of transportation. I assure you that the FAA is looking carefully at this and I will as well.

WEIRTON-STEUBENVILLE BRIDGE

Senator BYRD. I thank you.

I have one more item. In each of the last fiscal years guidance has been provided in congressional appropriation reports that the highest priority be given to the allocation of construction funding for the Weirton-Steubenville Bridge from the Secretary's discretionary bridge fund. Groundbreaking on that bridge occurred last July. Construction is now underway.

Is it your intent during fiscal year 1984 to continue full funding for this bridge to insure that its construction is completed as rapidly as possible?

Secretary DOLE. It is my understanding that we have just released additional funds for that project.

Senator BYRD. That is quite correct. How much is allocated for this bridge during the present fiscal year and can you provide an approximation of how much will be required to continue construction in fiscal 1984?

Secretary DOLE. I do not have that today, but I will be happy to provide that for the record.

[The information follows:]

DISCRETIONARY ALLOCATIONS FOR WEIRTON-STEUBENVILLE BRIDGE

The State has received $8 million and $37 million of discretionary bridge funds in fiscal year 1982 and fiscal year 1983, respectively. The State has indicated no additional discretionary bridge funds will be required for the project.

Senator BYRD. I would encourage every effort toward the construction of this bridge. I sincerely hope, Madam Secretary, you will give us some help as far as you can in manning the control tower to the Lewisburg and Greenbrier County Airport. All we are asking is one man 8 hours a day.

I am sure you will not look with a jaundiced eye on the continuation of the Cardinal.

In these respects, Mr. Chairman, I want to compliment you for the work you are doing on this committee. You are a fine chairman, and having been the chairman of the subcommittee at one time, I know something about the workload of the subcommittee which undoubtedly has increased greatly since that time.

You have always been most fair and considerate. Again let me say that I like what you said despite some of these big words you are throwing around. We didn't have them when I was chairman of this subcommittee.

I like what you have been saying about a Presidential commission and I want to be fully supportive of you in every way that I can on this subcommittee.

Senator ANDREWS. I appreciate that.

Might I point out, as you know, Senator, it has been a privilege to work with you on this subcommittee as a new boy over here, to have the distinguished minority leader as a member of the subcommittee. It keeps us on our toes.

Senator BYRD. I appreciate that.

Senator ANDREWS. You know, back on the farm we don't really understand intermodality either. We would be better off if it wasn't around. They are siphoning funds that would better be spent for their original purposes than facing these new and attractive things down the pike. That is something we will have to get into.

I am concerned, as I think the Secretary recognizes, with what has happened with deregulation. All the stories we read are about low fares. Nobody ever talks about the people from West Virginia or Mississippi or North Dakota or upstate New York that are paying through the nose, in fact, subsidizing the low fares to somebody else.

Nobody talks about what will happen when another airline goes down the chute and you disrupt their mechanics and their pilots and all the rest. They have to put Humpty Dumpty back together again and eventually the traveling public is going to pay through the nose.

I would rather do something up front than hide our head in the sand and think it is going to go away. Sometimes it doesn't.

Senator BYRD. I wish to compliment the Secretary and wish her well in her endeavors.

Secretary DOLE. Thank you.

ST. LAWRENCE SEAWAY

Senator ANDREWS. Madam Secretary, I would like to get into one other area. It is on the St. Lawrence Seaway.

We understand that the statutory term of the St. Lawrence Seaway administrator is expiring. I might add that we have been very impressed with the work that Dave Oberlin has done in the past 14 years that he has served in that position. He certainly ought to be highly considered for reappointment.

I understand how things go down in the White House, but this committee is very interested in your position on the type of qualifications that such an administrator should have.

What is your position on the type of qualifications? What sort of person is the administration looking for? What sort of person are you looking for, because I would assume you would be the chief adviser to the administration on whoever is picked.

Secretary DOLE. I just have had the pleasure in my first 3 days in office this past week to meet with some of the people from Massena who came down to talk with me about the seaway and others from our headquarters office. I intend to visit them soon at the St. Lawrence Seaway.

My view is that of course management skills would be very important in a job such as that. Also I would want to have a person who understands transportation in a broad sense. I would think that broad transportation experience and understanding would be advisable, sensitivity to economic issues and an understanding of that area, certainly dedication to the job, loyalty, and willingness to really get in and put the hard hours in that any meaningful assignment is going to require. Those are a few of the things that come to mind.

Senator ANDREWS. You know the interest of the subcommittee. We funded $120 million to meet the debt in the last bill because it is such a vital artery for transportation and the movement of agricultural and other products from the Midwest.

Will the administration be sensitive to these important economic concerns or might it just be tempted to give the nomination to some unqualified political hack?

Secretary DOLE. I am convinced that the administration will be very sensitive to these areas that I have mentioned.

Senator ANDREWS. When will the nomination be forthcoming?

Secretary DOLE. In the near future.

Senator ANDREWS. Given the excellent working relationship that you and I have had during the entire week of your tenure so far, I am sure you will keep us advised in advance of any action on this, won't you, Madam Secretary?

Secretary DOLE. I didn't hear the first part of your statement. Say that again for me.

Senator ANDREWS. Given our excellent working relationship during the whole week of your tenure so far, will you keep us advised in advance of any action on this? If whatever nominee is sent up has the qualifications you point out, certainly those of us who are concerned and our colleagues in the Congress on both sides of the political aisle who are concerned about the viability of this most important route will be satisfied with the nominee that has that kind of qualifications.

I yield to my friend from the State of New York, Senator D'Amato.

Senator D'AMATO. Thank you very much, Mr. Chairman.

I must confess, Madam Secretary, my deep concern with regard to the pending appointment for the administrative position of the St. Lawrence Seaway. As you know, the committee did appropriate some $109 million so that the seaway could function, maintain itself, could become more viable around the Great Lakes and also the upstate New York area.

I must share with you my consternation at some of the rumors going on in terms of who may be appointed. This would be a Senator who would take very strong objection to just taking care of one of the "good old boys" who has been out there and helped in the mission of politics.

I have been involved in politics for 20 years and I understand loyalty, but there has to be a basis of qualification that goes with it. I have indicated this concern to the majority leader and to the subcommittee chairman, and I think we are in accord in that respect.

Is that not true, Mr. Chairman?

Senator ANDREWS. We sure are. In fact, if someone is nominated that doesn't have the qualifications that the Secretary has put forth, I would guess that we would have in the neighborhood of 15 or 20 holds put on any such nomination.

I would rather tell you ahead of time than after the fact, we think you are on the right track, Madam Secretary.

FAA REORGANIZATION

Senator D'AMATO. Absolutely.

Madam Secretary, in 1981 the Federal Aviation Administration—God bless you, you are going to need all the strength you possibly can possess dealing with that area and I mean that seriously—without informing any of our congressional committees, unfolded a plan presented as a fait accompli in terms of reorganization of regional offices.

I think it might be more appropriate to go into detail with Mr. Helms, himself, when he testifies at a later date. I am hopeful that we can get him to be forthcoming, which is always very difficult. We get the, "I was charged by the President to be most efficient." Of course that efficiency comes at some other people's expense.

In any event, an inquiry into the FAA's action was made with respect to that reorganization and we found that there was no consideration in terms of efficiency or cost connected with that and in some cases we found that the plans that the FAA had advanced would indeed have cost the taxpayers even more money, not to mention the incredible loss and human suffering that would take place in the transfers which would have occurred.

As a consequence, in the fiscal year 1983 Transportation Appropriations Act, language was included which directs that the Appropriations Committees in the House and Senate be consulted with respect to the FAA's future consolidation plans.

I would like your assurance that the Congress will be kept abreast of these developments.

Secretary DOLE. Yes, sir.

Senator D'AMATO. We won't have a fait accompli, where we then have to begin to assemble the facts and work at cross purposes.

Secretary DOLE. I assure you of that. I couldn't agree with you more. It will make my job a lot easier to do it, if I have an opportunity to sit down and talk about this ahead of time, certainly I will do that. It will be done by FAA.

WESTWAY INTERSTATE PROJECT

Senator D'AMATO. I certainly appreciate that.

With regard to several parochial matters, in 1981 the Congress provided a new definition of items that could be funded with interstate construction funds. Among those are the Westway Park and of course the Westway highway project we have all read about and heard about so many years.

Now maybe it looks like we are going to begin to move on that. In part of our Senate colloquy the record indicates it was the intention to have that park included as a cost-eligible item. Then we found out that the Federal Highway Administrator raised some doubt on that. We had the same problem with respect to a project on the Rochester Bikeway.

I would like your assurance that we will not get these reversals of congressional action and that you would look into this to see that in the future the Federal Highway Administrator will honor these regional commitments that are made.

Secretary DOLE. I will be happy to work with you on that.

Let me just say on Westway our review of more complete information from the field has not been completed yet, but I am told, I did check this, as a preliminary matter that some, if not all, of this work may be appropriate for interstate construction funds and for inclusion in the 1983 estimate. We should be reaching a final decision on that very shortly.

TRANSIT OPERATING ASSISTANCE

Senator D'AMATO. Wonderful.

Then, Madam Secretary, I think this is a difficult one for anyone in your position to field, so I put it out basically as a statement that I had issued prior. When I look at the actual moneys that have been allocated for mass transportation I see a total that goes from $3,763,000,000 in fiscal year 1983 to $3,306,000,000 in fiscal year 1984. How can we accept your $400 million or 14-percent cut just after approving more than $1 billion in new gasoline and highway use taxes? I believe that we are shortchanging not only our large urban centers, but our smaller cities and communities and large numbers of people, elderly, students, et cetera, who are totally dependent on mass transit and don't have an alternate means of transportation.

In terms of operating assistance, we go from a fiscal 1982 level of $1,035,000,000 to what we have provided in the Congress by way of legislation last year $875 million per year for the life of Public Law 97–424. This represents a 15-percent reduction. We had agreed upon this. This was passed.

My God, Stockman must have been working on this pretty late. We went from a 15-percent cut, from $1,035,000,000 to $875 million, down to $275 million. If he thinks he is going to get a battle, he will get more than a battle. He made an additional 69-percent cut.

Sixty-nine percent in fiscal year 1984, that is the total cut. Then of course in 1985 he is going to eliminate it altogether.

I suggest to you, Madam Secretary, that this flies in the face of the block grant concept, a concept that so many representatives here espouse. Provide localities moneys in block grants, give them reasonable guidelines, and let them utilize it.

Does it make sense to provide twice as much to certain cities in capital so that some cities can go out and buy twice as many buses as they have and yet cut them 82 or 83 percent for operating assistance so that they don't have the cleaners and car repair means?

In the city of Buffalo this cut will mean an 82-percent cut in operating assistance. It will mean by 1985 they will double the local fares. It will mean they will not have the personnel necessary to maintain their fleet of buses, let alone to provide adequate maintenance when the new rapid transit system comes on line.

FORMULA BLOCK GRANTS

I suggest to you that the administration's proposals fly in the face of its stated overall objectives in terms of block grants, in giving to local municipalities the ability to husband and use their resources with proper guidelines; that we have come down on some kind of dogmatic philosophy and said operating assistance is wasteful, we have to eliminate it. We have to knock it out.

Madam Secretary, I hope you will have an opportunity in the fullness of time, and I am delighted when I hear you met with the people from Massena and I know you will have that open door policy, to speak with some of the smaller transit properties because it will be the smaller cities that are more severely impacted. Some will have to raise their fares so much that there will be transit system shutdowns.

I hope that you would take a very careful look and be in a position to use your influence to get what I would consider to be a more balanced and even-handed approach with respect to operating assistance.

PHASEOUT OF OPERATING ASSISTANCE

Secretary DOLE. Let me just make a couple of comments as far as the administration's position on operating assistance on the UMTA budget for 1983 and 1984.

I think rather than maybe just comparing the bottom line for the UMTA programs, it might be clearer if we consider only the capital programs, because if you separate out research and development and the operating assistance and administrative cost, you have for fiscal 1983 and for fiscal 1984 UMTA capital programs increasing 31 percent and 44 percent, respectively.

Of course this administration from the beginning of its tenure has opposed transit operating assistance. The reasons for that basically are that the administration feels that operating assistance has not been effective; that it has interfered with local decisionmaking for the Federal Government to be involved in the kinds of decisions that an operating subsidy would require, whether it be a distortion of the collective bargaining process or perhaps extending in some instances services which have not proved to be economical or efficient; and that generally the picture has been one of inefficiencies because the Federal Government is involved in wage matters, rate matters, fares, services, and management, that are better performed at the local level.

Senator D'AMATO. I think that might go back to some historically older collective bargaining arrangements and agreements that took place in the late seventies. Many of those abuses have indeed been dealt with, that as a result of capping and even reducing operating assistance we have addressed that problem.

For many there is no alternative means of transportation, there is no car available to the elderly, to the school children, et cetera, who are dependent upon buses in many of these communities.

I think of upstate New York, Syracuse, Rochester, and Albany; these communities will have to raise their fare structures to such an extent that they will do great damage to the viability of these systems.

I don't believe it is our purpose to say to these communities, you need more buses but not the men and people to repair and keep those buses in good service and operation and the cleaners to keep the cars in the kind of condition so people will utilize them.

I think it is a philosophical situation we find ourselves in, and somebody in OMB says we know what is best and we are going to present it to you in spite of the overwhelming support of mass transportation.

Operating assistance is set by the Congress. Why don't we attempt to get a balanced view? I can think of no greater advocate that the Congress could have in possibly getting the administration to rethink its position than you.

Secretary DOLE. I appreciate your comments. I have listened closely. I appreciate the position you are presenting.

BROOKLYN BRIDGE

Senator D'AMATO. In conclusion, Mr. Chairman, let me say that yesterday we had a great day in New York. It was made possible by the Secretary. I wish we had had that notice a little earlier because I flew up to New York on a 3 o'clock shuttle. I would have tried to be up there with the Secretary.

I was born in the community of Brooklyn. Many people don't like to acknowledge their home or origin, but I do.

Senator ANDREWS. You are very humble.

Senator D'AMATO. It is an incubator of excellence. I was born there, so it is with a great deal of pride that I was informed and was able to inform our constituents in New York that we will be receiving DOT funds for the grand old lady of bridges that will be celebrating its 100th anniversary, the Brooklyn Bridge. Discretionary funds from the Department of Transportation of $5.4 million, and there is every likelihood another $15 million will follow, will be made available. I want to thank you, Madam Secretary, and commend you and your staff for moving these vital funds.

When we talk about the Brooklyn Bridge it may be symbolic of past glories, but also when we make those commitments it symbolizes that this administration has a recognition of our responsibility to deal with our aging infrastructure.

So let me thank you and say it was a nice way to go back home and be able to make that announcement.

Secretary DOLE. Thank you. I appreciate that.

GAS TAX

Senator ANDREWS. Thank you, Senator. I am sure if you had a great day yesterday, you will have a great day on Tuesday because our bridegroom returns from his honeymoon and he will be appearing before this committee to explain the going away present that he gave us. So Dave Stockman will have a chance to explain that on Tuesday. I am sure you will have a great one.

Madam Secretary, I think the key thing that my colleague brought up, and nobody can accuse me of being too intrigued with public transit from a parochial point of view, but we made book on this gas tax bill and a friend of yours had quite a bit to do with that.

Part of it was to get the funding into this mass transit. I have been concerned when I have been in the larger cities of this country, whether San Francisco, New York, or whatever, that we continue to put more and more emphasis on capital purchase and less and less emphasis on operating.

Now, any farmer knows that if you put the emphasis on being able to get a new tractor whenever you need one, you are not going to take care of the old tractor and overall it costs you a lot more money. We are having exactly the same thing happening.

JOBS STIMULUS

I would hope we don't move too far in this direction. I would also appreciate a response from you on APTA's claim that these budget cuts dumped on us by Stockman before he took off will result in service reductions and loss of 64,000 jobs nationwide.

A number of us on both sides of the aisle are interested in the jobs bill, we are interested in keeping public transit moving.

What about the 64,000 job figure drop?

Secretary DOLE. This is a new figure to me. I will be happy to look into that.

Senator ANDREWS. I would appreciate it if you would. I learned long ago from my friend, John Rooney from Brooklyn—he was my first committee chairman—he told me better make darn sure you get all the facts out.

I would appreciate, Madam Secretary, if you could answer for the record and then provide the subcommittee the information early on.

[The information follows:]

EMPLOYMENT REDUCTIONS

The 64,000 figure represents an early estimate by the American Public Transit Association [APTA] of the impact in jobs lost if a limitation on operating subsidies of $275 million were enacted for fiscal year 1984. APTA has since revised this figure to 57,200. This estimate is based on a $598 million reduction in funds for operating assistance from the $873 million APTA estimated would have been available without the limitation requested in the budget.

APTA obtained this employment figure by applying the Department of Commerce's RIMS II input-output model. The result is an estimated reduction of 24,297 direct jobs and 33,002 indirect, induced jobs lost due to the reduced expenditure.

The estimate is based on assuming that nothing will be done at the local level to replace the reduced Federal operating subsidies. In fact, we believe that it is likely that a combination of increased State and local subsidies, increased fares, and reductions in unproductive service will make up most of the difference. This will maintain total transit operating expenditures at approximately the same level, with little reduction in employment.

Finally, our total planned obligations for transit capital and operating assistance for fiscal year 1983 is $4.16 billion versus $4.12 billion for fiscal year 1984. On this basis, there would be negligible job loss due to a reduction in Federal expenditures for transit.

TRUCKERS' STRIKE

Senator ANDREWS. Let me go through a number of quick questions before I yield to my colleague from Florida.

What damage to interstate commerce was caused by the truckers' strike?

Secretary DOLE. I am glad to have an opportunity to talk about that for a moment. Let me say that I think now that that situation is behind us, we can move forward——

Senator ANDREWS. I hope it is behind us. No objectives have been changed yet. You get one that occupies a headline for a while and then it fades away for some reason or another, but the basic underlying objectives have not been changed.

Secretary DOLE. This is going to be my point. I feel that we can continue to meet with responsible leaders in this area to focus on the concerns that the truckers have.

I should like to talk about a couple of aspects of this because I think there was a lot of misinformation on the legislation and its impact on truckers.

May I take a moment to go through several things that I think are important in the way of information which perhaps still needs to be disseminated more broadly and then some of the things that we can do to address a number of the truckers' concerns?

As far as the impact of the legislation, many did not realize, as far as the owner-operators, the small firms, that it would not come into effect for them until 2½ years from now and then the amount would be phased in over a number of years up until 1986. At that point my understanding is they would still be paying about 25 percent under their full share for the use of the highways. Of course the money is assigned basically to restore their "factory," if you will, the highways.

I am sympathetic with the problems that the truckers have. Many of them are in great trouble and losing money and so on.

Senator ANDREWS. Are you having a dialog with them?

Secretary DOLE. Yes; as our economy begins to pick up, as we move into the recovery period, they will be the first to benefit from that.

With the increases in the width and the weight of trucks and so on, the various provisions, some are already in effect, others coming in effect this year, it is my understanding that the figure that has been estimated is I believe $4.9 billion of benefits and when fully implemented the new highway user taxes on trucks would take about $1.7 billion. So there is overall a net benefit to the truckers.

HIGHWAY USER TAXES

Senator ANDREWS. Madam Secretary, when you were working in the White House, the subcommittee came up with the truck width increase amendment. We estimated from some figures we got that we would save in the neighborhood of $3.4 billion by just the width alone.

We didn't have too much success in convincing the Senator from Kansas of that, but we had enough votes to pass it anyway. Then everybody got on board with the total package and now we have it.

As I understand, the truckers are not objecting to the tax per se, but what they are objecting to is the fact that there is a difference between a "dead dog" tax and a rolling tax. If you have to pay up front the same as anybody pays and you are an independent trucker and you are only moving down the road 3 or 4 months because the economy is bad, you really get nailed vis-a-vis your competitor who is rolling 12 months a year.

We hope you would look into whether or not you can substitute for the up-front excise tax on these trucks some degree of fuel tax which you don't pay if you are not moving. At least the truckers I talked to in my area and around the country said they are not against paying to support the roads when they are moving, but they are against paying up front when they don't know whether they are going to be moving or not.

Have you been taking this under advisement and is the Department receptive to considering some adjustment vis-a-vis the heavy use and the fuel taxes?

Secretary DOLE. Yes; we are willing to look at the overall tax. The amount would remain the same in terms of how you give that up in various ways that it might be adjusted. We are willing to take a look.

Senator ANDREWS. We can expect some discussion from you as to how it can be made in an equitable fashion?

STUDY OF TRUCK TAXES

Secretary DOLE. There is a report—we have advanced that by a year I believe, so that is being expedited—which would look at this tax and all aspects of it.

In addition, I think as far as the State regulations, tax administration, and truck registration, there are a number of issues that we are certainly willing to talk with the truckers about and try to provide some assistance. So, we are certainly not unwilling to sit down and look at the broad range of problems they might have and be of any assistance that we can be.

I did want to point out there are still some misunderstandings as to what that law provides I believe.

Senator ANDREWS. I think they understand what the law provides. They understand it is going to be an excise tax up front. They are saying, "Look, get us out from under this."

As a matter of fact, the Senate bill had a much lower tax up front than the House bill did. That was part of the compromise package, that we went with the House side more than the Senate side.

When will you get this report back?

Secretary DOLE. It will be January of next year.

Senator ANDREWS. Why is it going to take that long?

Mr. TRENT. Mr. Chairman, as we were developing this legislation, the big problem we saw was the method by which the tax would be collected if in fact it was on a mileage basis with the truckers. We negotiated, as the legislation was put together, with the Treasury Department and IRS to try to set up a system. We weren't successful in doing that before the legislation was presented last year. The Department is very much in line with your thinking on this and we would like to develop a system. If we can do that before January——

Senator ANDREWS. I am glad you are in line with my thinking. It will not do any good if you don't get that up here before next year.

Mr. TRENT. We will try to push it along faster.

Senator ANDREWS. As long as you are thinking it is the direction we ought to move in and we ought to explore it, you should be able with the number of people we give you down there, to come up with a result by the 1st of July, if not sooner.

Do you see any reason why you cannot do that?

Mr. TRENT. No; we will make every effort to do that.

Senator ANDREWS. The subcommittee might expect to get a report on that by July 1?

Mr. TRENT. I am not in a position to make a commitment.

Senator ANDREWS. Who would be in a better position to make a commitment than you unless it is the gorgeous lady next to you?

Don't you think you could tell him to get his rear in gear and get the report back?

Secretary DOLE. We will do our best to expedite it. I would not want to make a flat commitment because of the complexities involved. We will do everything to move it as quickly as it can be moved.

Senator ANDREWS. You have a group of truckers out there that were so upset that they unfortunately tied up a good deal of this country in a strike. They came to realize that wasn't the way to get it done. They were assured by myself and other people interested in transportation to cool it, we will get the answers for you.

You have just told me that you think what I outlined makes sense, you agree with it, and we told these people to cool it, we will get the answers for you. Now you are saying all the complexities are going to hold it beyond the 1st of July.

I thought I was generous with the 1st of July. I should think you ought to get it out by the 1st of May.

Mr. TRENT. The reason we can't make a commitment for the 1st of July is because the Treasury Department is the collector of this tax.

ADMINISTERING THE TRUCK TAX

Senator ANDREWS. I am not asking the Treasury Department for what they think about an equitable structure, to redesign the tax to be responsive to the concerns expressed by the truckers.

You are the ones that know how to cope with that. I would think the Treasury Department would go along with what you recommend, given the overall outline of getting the same dollars, but getting it in a more equitable way from the independent trucker and from the person who is now not hauling 12 months out of the year. You know what the guidelines are.

Mr. TRENT. Our interest in structuring that has been with us throughout the process last year before the legislation was presented.

The problem we ran into is how it would be administered. The Treasury Department at that time indicated that they could not put into place in time to meet the collection dates that are part of our bill, a system to administer it in the way we are discussing.

Senator ANDREWS. Five will get you ten if you get the report up here and if it makes sense, the chairman of the Senate Finance Committee can move that thing through so damn fast—you know, the big sense of frustration out in this country of 200-plus million people is that Congress sits down here in its palatial palaces talking and talking and talking and alternately talking and hiding its head in the sand.

We have had a strike. A number of us tried to cool it down by saying we will get you the alternative and now we are wondering how long it will take. I would hope we have urged on you the importance of getting that report up swiftly. I would hope we can have it based on fact so that we can present it to the appropriate committees.

I would suspect that the Finance Committee is the one that can handle it, between the Finance and Ways and Means. You know, Dan Rostenkowski and I have worked together for 18 years. He sure is not bashful. If you get something that makes sense, I think we can get it through and we can tell the Treasury Department to do it.

I don't think we want to wait. I don't think we have that much time, frankly. I think we have to build up some confidence out in the country.

Much has been said recently about legislation to ease the unemployment situation by either creating new public works-type jobs or accelerating expenditures for existing programs. That is a responsibility of yours, Madam Secretary.

STAA JOB STIMULUS

What transportation areas do you believe, and can you tell the subcommittee, are the best candidates for either new jobs for stepped-up programs, which programs will generate the most jobs, and how quickly, and how can we fund those programs so that we get the maximum impact of job creation in this country?

Secretary DOLE. You are talking about the new program?

Senator ANDREWS. I am not talking about the President's new program.

I am talking about your shop in Transportation. I am talking about the expressed congressional intent and now the Presidential intent to go along with the jobs program and I am addressing your area and asking what recommendations do you have to this subcommittee to emphasize certain areas of investment in the infrastructure of this country so that we will have the maximum impact on jobs while we are doing the programs that need to be done anyway.

Do you have some ideas as to what we can do to help that?

Secretary DOLE. First of all, and I am not sure I am getting the question exactly, as far as the President's program and announcement he made last night, the details of that are still being worked out.

Senator ANDREWS. You are not in the White House now. You are running your own shop.

Secretary DOLE. The 170,000 jobs that the Surface Transportation Act will be providing, that is moving rapidly by now. Some of those will be available this month—in February.

Senator ANDREWS. Which programs in the $27 billion budget you are presenting to us would be emphasized and added to generate the most jobs and how quickly can we generate those additional jobs?

Secretary DOLE. We are proceeding under the Surface Transportation Act, the 170,000 jobs. That would be in highways and mass transit. That certainly is where the focus is. We have moved quickly to get that money moving. Those allocations were announced on January 6, and States are now applying against the allocations and the announcements have been out for some time.

So I really expect that jobs are beginning to be produced while we are talking.

FEDERAL HIGHWAY OBLIGATIONS

Senator ANDREWS. As I understand the Federal Highway Administration reports, highway obligations are in the billion dollar range monthly.

Can you provide what States are obligating rapidly and what employment impact they are predicting for this year?

Secretary DOLE. Surely.

[The information follows:]

RAPIDLY OBLIGATING STATES AND EMPLOYMENT PROJECTIONS

As of January 31, 1983, the States obligating Federal highway funds most rapidly were Georgia, Illinois, Nebraska, Nevada, Utah, and Virginia. As of that date, each of these States had already obligated more than 40 percent of their fiscal year 1983 obligation limitation. With respect to the employment impact our analyses indicate that each $1 billion in Federal highway funds obligated creates an estimated 58,000 jobs, 31,000 direct and indirect in construction together with 27,000 "induced" by the construction.

INNOVATIVE FUNDING

Senator ANDREWS. One additional question before I turn it over to my colleague from Florida.

Along with these programs we have to do some R&D, we have to get upfront with some management. We have not really done anything new in many areas for a long time.

Under the heading of innovative funding, so to speak, it is my understanding that a private consortium is now being formed to provide high-speed rail service between Los Angeles and Las Vegas. Financing in this case would be by venture capital with no direct Federal funding.

The question has arisen as to applying the public enterprise zone concept to this emerging rail corridor. Are you as Secretary receptive to these innovative funding proposals and what prospects for success do you think they have?

Secretary DOLE. At this point I think this clearly is a private sector matter—that is the way I would view it—rather than some Federal funds going into the area of high-speed trains.

I think at this point it is not clear that the approach is feasible in terms of private financing of such a project, but as this moves along, as we see more development in this area, I think it may be quite possible that the private sector will take a real interest in it.

I don't see that as a function of the Federal Government to become involved in the funding there, although we have provided for a feasibility study, I believe.

TAX INCENTIVES

Senator ANDREWS. That is true. Will you now go the next step by recommending that public enterprise zone funding, which is a tax incentive, I grant you, be applied to this kind of project so that we can get one or two of them going in this country?

Secretary DOLE. I am not clear what this is. In terms of providing outside dollars, I am thinking in terms of technical——

Senator ANDREWS. I am not talking about line item appropriations. I am talking about tax incentive provisions which I understand are the key to getting a couple of these underway.

Would you as Secretary of Transportation recommend this kind of tax incentive in order to get these things off the drawing board and into the actual working stage?

Secretary DOLE. I am not prepared to answer that now.

Senator ANDREWS. Will you provide that?

Secretary DOLE. Where the technical assistance is in terms of encouragement, sharing technical experience of the Department, that sort of thing, but to really get into tax incentives as such or any kind of Federal funding, I am not really prepared to go that step.

Senator ANDREWS. Can you provide for the record what actions or initiatives you are taking to encourage development and utilization of such innovative private sector approaches to our transportation problem?

Secretary DOLE. Yes.

[The information follows:]

PRIVATE SECTOR INCENTIVES FOR SOLVING TRANSPORTATION PROBLEMS

The best and most effective way to encourage the application of innovative private sector initiatives to our transportation problems is to remove the instrusive presence of the Government and make it clear that the Government is out of that business permanently.

Then and only then will the private sector have both the freedom and the incentive to implement the innovative approaches to problem solving which it is best equipped to undertake.

We have seen this happen in the rail freight sector which has experienced a substantial and healthy resurgence with the diminution of Government interference in its business affairs and is today characterized by an innovative spirit which had been absent for some considerable time prior to regulatory reform.

I should point out that the Federal Railroad Administration is participating in a number of high-speed rail corridor feasibility studies around the Nation. However, once this technical information on the feasibility of introducing these new services is available, I believe that it is up to the private sector market to make the decision on whether to go forward with implementation.

I see no reason for Federal subsidy, either through tax breaks or direct payments.

STAA FUND OBLIGATIONS

Senator ANDREWS. My colleage from Florida.

Senator CHILES. The Secretary touched on this question in talking about the Surface Transportation Act. I checked and my State has obligated about half of their STAA funds already.

What is the Department doing to accelerate the obligations of funds for highways, mass transits, and airports that were provided under the STAA? That is an area where States can get some jobs going right now if you could help to accelerate that money.

Secretary DOLE. I will take a stab at it and Don has a more specific answer. It is my understanding that this is moving well, as rapidly as it possibly can. I have heard nothing negative. It is a matter of the States having their priorities in line and how fast they can move in terms of making application.

I have not heard any indication that it is going anything other than as rapidly as possible. We seem to be in good shape in terms of our allocations and the applications are coming in.

Mr. TRENT. I might add, Senator, that we work with the State highway departments to develop the projects so that we can approve funding to go ahead with them. We have instructed our highway administration to speed up approval of these projects and to provide whatever technical assistance that we can to move them along quickly.

Secretary DOLE. I think we are doing well there. I see no indication of any problem in terms of the speed with which we are moving.

PRESIDENT'S JOBS BILL

Senator CHILES. As you know, the President's budget proposal for fiscal year 1984 proposed to reduce the transportation spending by almost $2 billion below the level authorized by the highway gas tax bill for highway transit and airport grants.

Then we see the President announcing the new jobs bill which included additional recommendations for transportation funds. It seems like we went up the hill with the Surface Transportation Act, the President's budget carried us back down the hill. Now I guess we are going back up the hill with a jobs bill.

Can you tell us what the transportation component of the President's proposal is? Is it just making up the money that we thought had already passed in the Surface Transportation Act?

Secretary DOLE. I can't get into the detail of that because it is a process still underway in terms of finalizing the proposal. I really don't have information on that today that I can give you.

Senator CHILES. Mr. Chairman, I have some other questions, but I think I can submit them for the record.

Senator ANDREWS. We will be glad to have them for the record.

AIR TRAFFIC SYSTEM RECOVERY

Senator ANDREWS. Madam Secretary, we talk about the air traffic control [ATC] system. A year ago Mr. Helms came up and told us that essentially that it would be back to working normally by October 1982.

I happen to be on an airplane every now and then—we get on airplanes, I guess, in this business—and I was flying out to St. Louis on a TWA plane, leaving National about 4:30 in the afternoon, TWA Flight 105 from Washington National to St. Louis on January 31 was going to leave at 4:29. We were told we had an air traffic control hold of three-quarters of an hour before we left for St. Louis, bluebird weather, everything fine.

I don't know whether FAA recognized that I was on that plane or whatever. Then I was coming back from St. Louis on February 3, from St. Louis to Washington National, leaving St. Louis at 1:50 in the afternoon, a slow time, mind you. I left on their Flight 572. We were told we had an ATC delay. We took a 45-minute delay at the gate.

We went out to the end of the runway and waited another half hour. One hour and 15 minutes after that plane was scheduled to leave it finally left with a whole host of people that were connecting on to New York, missing their planes for overseas, and a lot of people being inconvenienced.

Now, this is a question we are obviously going to take up with Mr. Helms when he comes up, and should.

Madam Secretary, this administration and your predecessor took some pretty forceful action at the time of this ATC strike, and have said that things were back in shape. They sure are not back in shape.

I have no beef for traffic between Washington and St. Louis. TWA serves no part of North Dakota, but it is one of the most idiotic things I can see of having a regularly scheduled airplane that is due to leave at a certain time, have to wait 1 hour and 15 minutes going one way and three-quarters of an hour going the other way, and then say everything is essentially back to normal. It is not.

What do you plan to do with your people down there in the FAA or is this the kind of operation that is normal?

Secretary DOLE. The progress is according to schedule which basically provides that in April of this year we will be back to 100 percent of prestrike capacity.

The announcement was made, I believe it was last year, that as of September we would hit 90 percent prestrike capacity. There would still be restrictions and of course supervisory personnel and others are still being used.

Senator ANDREWS. That is totally acceptable and that is in the number of slots available. But this plane had a slot. This was a regularly scheduled airliner ready to go at the time on schedule. It was not anything you could blame on the airline in that they were not ready to move into the sky when they had their assigned slot.

How can the system be breaking down this badly if your administrator tells us a year ago, by October it would be functioning normally within a limited number of slots?

AIR TRAFFIC SAFETY

Secretary DOLE. Well, safety, I think, is the bottom line on all of this. When you are operating with these slots it is a matter of safety at the gate versus circling and using up fuel. I think it comes down to that.

Senator ANDREWS. We have heard that kind of explanation month after month. Everybody wants it to be safe. Again this was a regularly scheduled airliner that was supposed to leave at a given time. It was ready to leave at a given time.

The people under your supervision gave it a 45-minute hold in one direction and a 1-hour and 15-minute hold in another direction, causing all kinds of people all kinds of problems. It certainly would indicate that the system is not working.

Now, the reason for the question is to find out whether you need some additional funds in this budget someplace to deliver the type of operation that the subcommittee was told last year was being delivered or whether this type of delay is something that we have to accept as a new definition of normal operation.

STRIKE RECOVERY SCHEDULE

Mr. TRENT. Mr. Chairman, every indication is that this system is improving and will continue to improve through the summer and we will be back up to very near normal operations by the end of the year. This is the time schedule we talked about throughout the process. It is hard for me to know on that particular flight what the problem was. There were delays on specific flights before. We can supply for the record an explanation on this one.

Secretary DOLE. The schedule that Darrell is referring to, and I mentioned part of it earlier, was that as of April we would be back to 100 percent prestrike capacity. There will still be some restrictions, but as of the end of this year, December, most of those will be lifted. In terms of the full component of personnel, it will be July 1984 before that goal is reached, but that is the schedule that we have been meeting regularly and we expect in April to be back to 100 percent.

Senator ANDREWS. Madam Secretary, if you could have your expert tell me specifically what happened on those two flights, I might be better able to question Mr. Helms when he comes up. I think this is a long way from being a normal operation.

I just think if this is typical, then we had better find a place to get more personnel or do something because we have been in a sense telling the country that we have this thing under control and we are back to reasonably normal operations, given the slot limitations.

Secretary DOLE. I think it is important that we are sure everyone understands what that schedule is that was laid out because the September goals were met and we have every reason to believe that the April goal will be met, too, in terms of 100 percent prestrike capacity, fewer restrictions, but most of the restrictions being eliminated by December.

There will still be some supervisory personnel being used at that time, but as I said, we expect to have a full component of personnel by July of next year.

[The information follows:]

FLIGHT DELAYS

TWA Flight 105 was scheduled to depart Washington National Airport on January 31, 1983, at 4:14 p.m. with arrival in St. Louis scheduled at 5:30 p.m. Due to low ceiling conditions at St. Louis, Lambert Field was using a single rather than a dual runway configuration and, as a result, capacity of the airport was reduced from approximately 45 to 28 arrivals per hour. Therefore, from 12 noon to 10 p.m. local time, FAA required all flights scheduled to arrive at Lambert Field to take a 35-minute delay at their point of departure. TWA Flight 105 was cleared for pushback from the gate at 4:49 p.m., the required 35-minute ground delay. The flight was cleared for takeoff at 5:05 p.m., 51 minutes after its scheduled departure time. The 16 minutes used to taxi before takeoff is not an unusual amount of time for departures at that time of day.

TWA Flight 572 was scheduled to depart St. Louis on February 3, 1983, at 1:45 p.m. with arrival in Washington National Airport scheduled at 4:32 p.m. TWA Flight 572 was 35 minutes late in requesting clearance for its pushback from the gate. This delay was due to the carrier and not air traffic control. In addition to the 35-minute delay at the gate, an additional 10 minutes is normal taxi time. An additional 30-minute delay was due to TWA 572's late pushback which put it in the middle of an east-bound rush of flights departing St. Louis. It is important to note that FAA does not control the time at which an airline schedules its departures. Therefore, due to competitive reasons, airlines often schedule several flights for exactly the same departure time. Since only one flight can take off at a time, the other flights scheduled to depart at that same time must wait in a queue. The remaining 30-minute delay for TWA 572 was attributable to such a queue.

MILITARY BENEFITS FROM ATC SYSTEM

Senator ANDREWS. One final question, and I will submit the rest of my questions for the record, has to do with the ATC system again.

There are primarily three groups of beneficiaries from FAA facilities and services: commercial, military, and general aviation.

Commercial and general aviation users should pay their own way and according to Secretary Lewis, in his testimony last year, commercial and general aviation should pay for 85 percent of the system with the remaining 15 percent coming out of the general fund. There is, however, no direct reimbursement from the military for the 15 percent of the system from which they benefit.

Doesn't this in effect constitute a subsidy to the military through the funds provided in the transportation appropriation bill and isn't this back door spending in a sense for DOD that should be put in the DOD budget?

Secretary DOLE. Basically, with the preamble of the FAA Act, charging FAA to provide for the safe and efficient use of the air space by both civil and military aircraft, we have not at this point made charges to any of the military, including our own Coast Guard, or to any other Government users other than some small minor reimbursement in some clearcut cases that have been provided by the military.

REIMBURSEMENTS FOR ATC SERVICES

Senator ANDREWS. We talk about honesty in budgeting. It would look like it would be a little, shall we say, more straightforward if we allocated to those departments that which they are responsible for.

What would your position be on providing a transfer of funds as a reimbursement in the amount appropriated from the Department of Defense in order to pay their share for the use of the airway system?

Secretary DOLE. I am going to let the budget officer speak to that.

Senator ANDREWS. We are just scratching around for a little bit of money here and there. That might be a way to find some.

Mr. DERMAN. We are always scratching for a little bit of money here and there.

Senator ANDREWS. DOD gets the increases, we get the cuts. If we could allocate to DOD and take it out of that seemingly bottomless barrel of money that they have allocated for what they are legitimately getting out of this, maybe we would have a little bit more for the civilian sector to do the things that need to be done.

Wouldn't that be a more accurate way of budgeting?

Mr. DERMAN. We would be willing to look into such a system of reimbursement. I would point out that the military does provide the Department some minor reimbursement in some clearcut cases where we maintain certain equipment to serve air space dedicated almost solely to military use.

Generally the Federal share of the system cost is part of our statutory responsibility as far as transportation functions.

Senator ANDREWS. Could you provide what the net dollar effect would be relative to the 15-percent share that was put out by Secretary Lewis last year and let us know what the dollar figure is?

Mr. DERMAN. Yes, sir.

[The information follows:]

DOD SHARE OF FAA COSTS

The percent of total FAA costs attributed to the various users of the airport and airway system is as follows: 85 percent is attributed to private sector utilization broken out between commercial aviation, 58 percent, and general aviation, 27 percent. The remaining 15 percent is spread out between the military, 9.7 percent; general government, 4.3 percent; and the Metropolitan Washington airports, which are paid for directly by users, 1 percent. Thus, DOD's 9.7-percent share of the FAA's 1984 budget authority request of $5.031 billion would be $488 million, if budget costs were distributed by Department rather than by Federal function, as is now the case.

MILITARY KEPT SYSTEM OPERATING

Mr. TRENT. During the air traffic control strike the military was generous in making air traffic controllers available to us to keep the system operating.

Senator ANDREWS. They were generous. I am in no way casting aspersions. It was a great factor in keeping the system operating at all.

When we are talking about budgeting and we have Mr. Stockman and others arranging the fine tuning of the budget between functions in the Government, and when we see that function where there seems to be all kinds of money available, if it is a legitimate charge, that charge should be levied where the money is available.

Similarly it has been the feeling of this subcommittee, not just the chairman, but the members voted for new ships for the Coast Guard to come out of the capital funds of DOD because they revert to the Defense Department in times of war.

ACQUISITION OF NAVY E-2C AIRCRAFT

I brought up the fact of the E-2C. That is a fantastic piece of equipment the Coast Guard should have. We need a number of them in our inventory. It is better to have them being used in actual search and rescue operations and interdiction of drug smugglers and all the rest instead of on training flights getting ready for emergencies that might come down the pike.

Given the strictures that we are faced with on appropriations and given the allocation between functions, if we could transfer some of this to DOD where it could justifiably be said to belong, it would give us a lot more of the leeway that we need.

I will quit while I am ahead. You say you will look into it?

Secretary DOLE. We will look into it.

SUBMITTED QUESTIONS

Senator ANDREWS. Madam Secretary, I think I speak for the entire subcommittee when I say we appreciate your coming. We look forward to working with you. We look forward to your answers to these problems and a host of others.

Secretary DOLE. Thank you very much. We appreciate it.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

WASHINGTON AIRPORTS POLICY

Senator Andrews: The Metropolitan Washington Airports Policy calls for the establishment of a DOT Task Force to monitor and analyze the policy's impact on air service to and from Washington in its first year of implementation, and to determine whether any alterations to the policy should be made. Since FAA's Interim Operations Plan, caused by the illegal PATCO strike, has distorted air traffic at Washington's airports, and at airports and enroute centers across the country, has the Department's monitoring of the policy's impact been deferred until air traffic conditions return to normal? What, if any, modifications to the policy are under consideration by the Department at this time? Does the Department have any intention of modifying the 16 million annual passenger limitation contained in the policy?

Response: The Metropolitan Washington Airports Policy has been monitored very closely during its initial year. We are now reviewing that first year's experience to determine what, if any, adjustments are required to achieve the goals set forth in that policy. The review has included the possibility of modifying the 16 million annual passenger limitation. No decision has been reached regarding any modification proposal.

Any adjustment to the policy will be subjected to normal rulemaking procedures and will be accomplished in compliance with the procedures prescribed by the Administrative Procedure Act and other applicable law. Interested parties will be provided an opportunity to express their views before a final decision is reached.

INFRASTRUCTURE BANK

Senator Andrews: The State of New Jersey has proposed the creation of an "infrastructure bank" to mobilize whatever federal-aid is available for New Jersey into the bank along with state revenues and funds borrowed by the state in order to provide seed capital for construction projects. This would essentially be a revolving loan fund from which municipalities could borrow at low or no interest for improvement of existing facilities or for the construction of new facilities. The loan repayments, interest charges, investment income plus state appropriations and federal grants would revolve through the bank for more loans to localities. What is your reaction to this innovative type of funding for construction projects, and how does it fit with the President's "New Federalism" policy as it effects transportation?

Response: We are familiar with the general proposal of the State of New Jersey to establish an "infrastructure bank" from which local governments could borrow funds to finance state and local infrastructure projects. The concept is interesting and generally consistent with the goals of the President's New Federalism proposal to provide increased flexibility to states and local communities with regard to transportation programs which are of primarily state and local interest. I understand that several of the other states have expressed interest in the infrastructure bank idea as a creative solution to local financing problems. We would have to study a specific proposal for transportation projects to evaluate DOT's role in a local "banking" arrangement.

OBLIGATION CEILING - FEDERAL-AID HIGHWAYS

Senator Andrews: You are asking the Congress to reduce the highway obligation ceiling by $500 million this year (from recently-enacted level of $12.1 billion to $11.6 billion). Isn't this inappropriate since obligations for January and February point to at least a $12 billion annual level?

Response: While it is true that January and February obligations were incurred at a high rate, the States were limited to a collective obligation amount of approximately $2 billion during the first quarter of FY 1983 and a portion of these large obligation amounts could be attributed to these stringent controls on the States during the first three months of the fiscal year. The proposed reduction of $500 million from the 1983 limitation reflects the difference between what the Administration originally proposed and the actual limitation included in the enacted legislation.

DISTRIBUTION OF HIGHWAY FUNDS TO STATES

Senator Andrews: The purpose of Congress passing the bill in the lame duck session (rather than early in this Congress) was to get the highway funds out to the States as quickly as possible. Is your request consistent with this congressional interest?

Response: On January 6, 1983, the date on which the President signed into law the 1982 STAA, the Federal Highway Administration allocated to the States the $12.1 billion obligation limitation and distributed to the States all of the increased authorizations that are made available based on a legislative formula. During the two months immediately following the enactment of the 1982 STAA, the FHWA has also allocated in excess of 50% of the discretionary funds made available in the new act. We believe that we have carried out the congressional interest in making funds available to the States.

AMTRAK

Senator Andrews: Please explain how your request for $682 million for Amtrak in FY 1984 will support a national passenger railroad system when Amtrak is requesting $800 million for FY 1984?

Response: The Department and Amtrak agree that $682 million is adequate to support operating and capital requirements of the current national rail passenger system. Beyond this basic agreement, the

$118 million difference is made up of a $38 million cost-reduction associated with the Administration's proposed legislative changes, and $80 million in capital expenditures which are not included in Amtrak's current capital plan.

THE JONES REPORT

Senator Andrews: The task force report on Management-Employee relations in the FAA was published last spring. What efforts have been made to implement the recommendations? What is your assessment of the current state of management-employee relations in the FAA?

Response: Following issuance of the "Jones Committee" report, numerous actions and programs have been initiated to improve human relations and management. These actions have been taken to bring about a substantial change in the FAA management philosophy and practices. First priority was to improve communication between employees and management, then, secondly, education to improve the existing management team and insure future managers and supervisors in FAA possess the skills to relate to the FAA mission and people. The following specific actions have been taken:

- Published and distributed a formal FAA Human Relations Policy Statement emphasizing that people are our most important resource.

- Established a Human Relations Policy Committee to assist in planning and implementing new policies based on the principle that the people of the FAA are the FAA. The Administrator is chairing this committee which includes the Deputy Administrator, Associate Administrator for Administration, the Director of the Air Traffic Service, and the Directors of the Great Lakes and Western-Pacific Regions.

- In order to promote improvement in human relations and communications, the administrator has established human resource specialist positions in regions, centers, and Washington headquarters. These specialists report directly to the Deputy Administrator. They define their mission as the promotion and development of increased organizational effectiveness through the application of human resources concepts and technologies.

- Human Relations Committees have been established in most regions, centers, and Washington headquarters with the objective of providing a local forum for two-way communications among employees, supervisors, and managers on personnel policies and working conditions.

- The national Manager of the Human Relations Program has been recently selected.

- Supervisory and managerial training at the FAA Management Training School (MTS) has been revised, establishing a standard for successful completion and placing a greater emphasis on human relations considerations and the development of supervisory skills. Successful completion of this course is now a prerequisite to selection as an FAA supervisor.

- Developed an Executive Seminar for senior managers to insure they understand and support the training provided at the MTS. Approximately 150 managers have been trained.

- Managers of air traffic and airway facilities are selected through a national selection system. Rating guides for these positions have been revised to evaluate the candidate's management, human relations, and communications skills.

- Criteria for selection of candidates in the Senior Executive Service have been established to include human relations factors such as the ability to communicate, ability to deal with people, how the candidate is viewed by peers, and the ability to develop a cooperative organizational environment, motivate employees, and increase productivity.

- We have issued guidance stressing the importance of human relations in every supervisor's job and requiring that supervisory performance standards be reviewed and, if necessary, revised to reflect human relations expectations properly.

- Established a newsletter, "MTS Digest," which is issued periodically by the Management Training School (MTS) to FAA supervisors. This newsletter provides up-to-date information on MTS, notes and comments on items of interest in the management field, and acts as a clearinghouse for input from our readers.

- Personnel Management Specialists assigned to air route control centers will now provide individualized service to all FAA employees in the commuting area of the centers. This change in duty is being made to provide more localized personnel servicing to field employees.

- Issued a handbook for air traffic employees which describes their rights and responsibilities. Developed by a team randomly selected from a cross section of the air traffic work force, it is an expression of how all of us in FAA can begin a new era of improved management/employee relations.

- Established Facility Advisory Boards at larger air traffic facilities to provide employees with a vehicle for input on procedures and working conditions to the facility manager and other appropriate offices in the region.

- Established Supervisors' Committees at larger air traffic facilities to provide supervisors with a vehicle for two-way communication with all levels of management.

- As part of a personal and far reaching desire to improve communication and education within all elements of FAA, initiated a series of video tapes addressing timely issues and programs currently facing the agency. Regional and center directors and associate administrators have produced similar tapes describing the goals and the mission of the elements which they head. The objective is to create a "library" of these tapes that will be available to FAA employees throughout the agency so that they can better understand how the many elements interlock in a single, dynamic organization.

- Developed a voluntary, self-development program where employees who aspire to become managers and supervisors can pursue a course of study in communications, human relations, and management skills that will gain additional consideration when competing for supervisory positions in FAA.

- As part of our efforts to implement the National Airspace System (NAS) Plan, the University Aviation Association and the FAA have developed a baccalaureate level airway science curriculum. This model curriculum was designed to develop a cadre of individuals, trained in aviation science to provide a source for future supervisors and managers of NAS programs. We have developed a demonstration project for implementation of this program which has been tentatively approved by the Office of Personnel Management with some modifications.

- To improve our overall orientation program for new employees, we will be producing a special video tape graphically presenting the agency's past, present, and future. It will trace the FAA's origins back to the early network of 17 airway radio stations supporting the first air mail service, illustrate how the system has evolved, and summarize the agency's blueprint for the future. It will be titled "This Is The FAA" and will be produced in-house at virtually no expense, using existing materials.

- A proposed Attitude Survey has been developed by the Civil Aeromedical Institute and the Office of Personnel and Training. The proposal is under review within the FAA and will be tested in the Western-Pacific Region.

- For years our employee newsletter, the "Intercom," has been used to provide information on matters of concern to employees. Employees have been asked to write letters to be published expressing their ideas for improvements and initiatives. Through this effort the "Intercom" will become the two-way communications vehicle that it should be.

Although we have not undertaken a formal reassessment of management-employee relations since the task force report was issued, we believe that significant progress has been made within the past year. While we still have a long way to go, there is evidence that not all of our employees have a voice in the decision making process to the extent they desire nor do they find available to them the degree of communication they would like, we do have indication that we are making progress. Feedback from our Human Relations Committees, Human Resource Specialists, and from meetings which agency managers have held with employees throughout the agency indicate that employees feel communications (upward and downward) have improved considerably, that they now have a greater degree of involvement in discussions where ultimately agency decisions are made, and that management has a sincere concern for the welfare of employees. The improvement of human relations in FAA is viewed as a long range, far-reaching effort that will touch all employees and future employees of this agency. We believe that through our efforts we can make the FAA a better place to work as well as a more productive organization.

TASK FORCE ON SAFETY

Senator Andrews: Madam Secretary, your recent statements evidence a strong interest in Transportation Safety. We have heard that a DOT Task Force is completing a study on safety that resulted in a recommendation that more attention be accorded safety at the Office of the Secretary of Transportation level, especially with respect to ground transportation. What is the status of the study? When will it be completed? What are the tentative issues and recommendations contained in the study?

Response: With a view toward increasing the efficiency and effectiveness of the Department, we have been examining all aspects of DOT's operations and activities. Included in that assessment was a review of ground transportation safety. Our review was completed late last year.

We concluded that the Department's ground safety functions are fragmented among several different organizations which prevents us from taking a systems approach to ground transportation safety. This does not serve either the public's need for safety or those we regulate.

We are in the process of looking at possible remedies to this situation. One of the options we are looking at very closely is to establish a new administration with responsibility for ground safety. We have not reached any conclusions at this stage and will not make any final decisions without consulting Congress and our constituencies.

SAFETY PHILOSOPHY

Senator Andrews: The Department's Philosophy towards regulation and transportation safety has changed. For example, FAA is instituting a safety-by-objectives approach; NHTSA is devising ways to have the consumer make their own safety decisions; and FHWA is permitting each state to establish its own design standards for highway rehabilitation. To what extent are these changes compatible with ensuring a safe transportation system, especially as we transport more hazardous material? What managerial or institutional safeguards are being instituted to ensure that safety? How do you track on a quick-response basis the impact on safety of Departmental/agency regulatory, administrative, or other policy changes?

Response: The Department believes that safety must continue to be a paramount concern in its programs and activities, and that position has not changed at all. The institutional arrangements for implementing that policy with maximum effectiveness have been under review for some time, first by Secretary Lewis's Strategic Planning Group and currently by the President's Private Sector Survey. The usual premise is that centralization of surface safety functions in one administration would provide a more consistent pattern of enforcement. It is recognized that there would be tradeoffs, however, in the individual modal administrations where they can more easily benefit from the technical expertise available in related modal functions such as R&D, engineering, etc. We do not expect to make any decision on safety-related organizational changes until the Private Sector Survey Report is printed and available for study.

Meanwhile, the primary responsibility for safety programs and regulations remains with the Department's operating administrations and the Office of the Secretary Safety Unit which monitors these activities and advises the Secretary on safety policy issues.

Where the same safety objectives can be met or exceeded by rules allowing for greater flexibility, as, for example, with the FAA's regulation-by-objective approach, DOT may consider replacing some of its highly detailed and prescriptive regulations.

At the same time, we must emphasize that regulations have their limitations, particularly with regard to their impacts on day-to-day transportation operator behavior. Progress in that area will depend in part on educating and persuading the consumer -- two obvious cases being the seatbelt and drunk-driving campaigns now underway in the Department.

Use of a variety of complementary programs is not only compatible with a safe transportation system, but should in fact serve to make the present system safer. With regard to hazardous materials transportation, we are working very closely and effectively with the States to ensure that Federal requirements are met and not contravened by state or local restrictions. DOT looks to the states for much of the necessary enforcement activity, an arrangement that is working well. This change in our philosophy is an important one which accident data indicate has not resulted in derogation of transportation safety.

The impact of regulatory, administrative, or other policy changes is rarely immediate, but we make every effort to ascertain the probable effects of such actions before they are put in effect and to monitor the effectiveness of those changes.

BOATING SAFETY AND FACILITIES IMPROVEMENT

Senator Andrews: Why are you proposing to reduce the funding recently authorized by Congress, and signed by the President, for recreational boating safety and facilities improvement? Please explain your proposal and intentions in this regard.

Response: Prior to the passage of the Surface Transportation Assistance Act of 1982, the Department of Transportation Fiscal Year 1983 Budget included a requested appropriation of $5 million for boating safety under the "Biaggi Act." This level was consistent with previous funding under boating safety financial assistance provisions of the Federal Boat Safety Act of 1971. With one-third of the fiscal year gone and considering the need for state matching funds, we felt it was inappropriate to change the amount of fiscal year 1983 funds which had been forecast as the scope of the program for this year. To utilize the contract authority provisions of the Surface Transportation Assistance Act and keep the $5 million level for boating safety requires rescission of the $5 million regular budget authority and replacement with a $5 million obligation limitation on contract authority.

In the 1984 budget we are requesting an obligational limitation of $15 million, the full amount authorized for boating safety assistance from the National Recreational Boating Safety and Facilities Improvement Fund. No funding is being sought for facilities improvement which does not directly relate to a Coast Guard mission, and which we consider a more appropriate role for the state or private sector.

DRUNK AND DRUGGED DRIVING

Senator Andrews: Over 50% of the fatalities on our highways, (or 25,000 deaths) are attributable to alcohol usage. We are told that this is the fatality equivalent of having a 727-airplane crash every other day of the year. Although I have seen no statistics on other drug-abuse related accidents, I would suspect that alcohol is not the only abused substance in contributing to highway fatalities. What will be your policy and initiative on drunk and drugged driving?

Response: NHTSA is participating actively in the Administration's drug abuse reduction program. NHTSA has made great strides with alcohol countermeasure programs, thus dealing with the number one drug of choice in the United States, alcohol. In the 1970's, NHTSA conducted research into the effects of alcohol in combination with other drugs such as Librium and Valium. Other drugs such as marijuana and psycho-active drugs were included in the attempts to determine drug involvement in fatal and injury crashes and in the driving population. However, the detection technology available at that time was neither reliable nor widespread. This situation has changed in the 1980's and may now lead us to different conclusions.

It is clear that a reassessment of the role of drugs other than alcohol and in combination with alcohol is necessary. Therefore, NHTSA is developing a plan to identify the most promising areas to investigate with regard to drugs. In addition, throughout alcohol research and development programs, NHTSA has found some detection techniques which may be applicable to drug impairment as well. Such techniques may have implications not only for drivers of automobiles, but also for operators of trains, trucks, airplanes, buses, subway cars, and ships.

NHTSA will continue to take an active role in the assessment of drug impact on the driving task, the role of drugs in traffic crashes, and potential drug detection techniques.

HIGHWAY SAFETY

Senator Andrews: We applaud your publicized concern over so-called "driver behavior" issues such as drunk and drugged driving. Will these driver-behavior initiatives, although crucial, eclipse NHTSA's equipment safety mission? What changes will you be proposing?

Response: In determining which safety programs should receive National attention and Federal funding, we have examined the major safety problems, considered national trends and looked at the potential effectiveness and costs of a wide range of safety measures that affect both the driver and the motor vehicle. We have determined our priorities accordingly, resulting in a balanced program of human behavior and vehicle safety measures which promise the greatest payoff and are cost-effective.

As you mention, NHTSA has placed a strong emphasis on human behavior measures, particularly in raising the public's awareness of the risk and consequences of driving without using restraints or while drinking. However, our balanced program also reflects the importance of technological improvement to safe travel by the motoring public.

We have developed our motor vehicle safety priorities on the basis of the latest accident data and projected fleet trends. A major emphasis is in frontal crash protection including improved steering columns, windshields, instrument panels and frontal structures. A second high priority is side impact research, particularly structural and padding modifications. Our structural and biomechanics research is focusing on state-of-the-art improvements, and a recent coordinated research effort we have initiated with industry reflects this direction.

This coordinated government-industry effort in automotive research is aimed at a more efficient use of research resources and ultimately at the incorporation of safety improvements into production vehicles. NHTSA is working with the Motor Vehicle Manufacturers Association in a number of areas including the high priority side impact crash protection and biomechanics accident reconstruction.

The emphasis now and for the foreseeable future will be on both motor vehicle and highway safety measures working together to create a safer means of highway travel.

New Priorities and Philosophy

Senator Andrews: Madam Secretary, what new priorities, management philosophy, and initiatives will you bring to the Department of Transportation?

Response: There are several concerns which I intend to pursue. To begin with, safety in all modes of transportation will have the highest priority and I will seek to intensify the Federal focus on transportation safety programs. Secondly, I will be looking for new opportunities for regulatory reform to improve efficiency within the industry. Whenever deregulation serves the best interest of the consumer, I intend to pursue that process and will be working toward strengthening reliance on private enterprise and the marketplace. Every effort will be made to cut red tape in dealing with cities and states.

I am very concerned about controlling costs and reducing expenditures without curtailing the essential services and will be monitoring this matter closely.

Finally, I intend to look more closely at improving management within the Department and will give attention to the importance of human relations in management decisions.

TRANSPORTATION POLICY

Senator Andrews: I've heard the concern expressed that in trying to make each mode of transportation self-sufficient through user fees, we are fragmenting what should be a coordinated approach to transportation. Do we have a unified transportation policy? (If so, what is it?) (If not, should we?)

Response: In relying on user charges to fund government transportation expenditures for all modes, the Department is, in fact, adhering to a unified transportation policy that depends upon the free market for the economic signals which result in a balanced, responsive and coordinated transportation system. History has shown that the market, when confronted with accurate prices and information, reacts in a much more responsive and efficient manner than can decision-makers relying on abstract and artificial policy directives. To the extent that user charges are relied upon throughout the system, the private market is able to respond to transportation prices that accurately reflect the costs of providing the service. The market, in turn, generates signals to transportation service providers that will result in the most efficient transportation system.

PASSIVE RESTRAINTS

Senator Andrews: What is the status of regulating the installation of airbags or other passive restraints in automobiles, and what is your position on this issue?

Response: I am deeply committed to the goal of improving highway safety, and I look forward to becoming personally involved in the Department's programs to encourage safety belt usage and to combat drunk driving. I believe that the solution to the problem of highway deaths and injuries cannot rely upon a single approach but must include making the drivers safer, the cars safe, and the roadway itself safe.

With respect to your question regarding passive restraints, the Supreme Court is reviewing the National Highway Traffic Safety Administration's (NHTSA's) decision to rescind the standard which would have required the installation of passive restraints in automobiles.

I understand that NHTSA has been actively negotiating with the manufacturers to gain their commitments to continue developing advanced occupant restraint technologies and to offer some airbags as options. NHTSA is also pursuing a demonstration program involving the installation of several hundred retrofit airbag systems into state police and possibly some other vehicles. The General Services Administration has also agreed to undertake a demonstration program by specifying airbags as equipment on some of the cars which it purchases for Government use. I understand that on January 21, 1983, Mercedes-Benz announced that a driver-only airbag safety system will be introduced as an option in the United States and Canada for some 1984 models. I am pleased to see this successful first step toward making airbags available to those consumers who wish to purchase them.

Since the Agency's action is now before the Supreme Court, I do not believe it would be appropriate for me to comment on the details of the action at this time.

UNION STATION

Senator Andrews: Specifically, how do you intend to resolve the Union Station problem?

Response: In accordance with the report DOT submitted in December, we intend to redevelop Union Station as a mixed-use transportation and commercial center. A complete Amtrak station will be returned to the main hall and concourse, and the tracks will be moved back toward their original locations just behind the concourse, providing easy access for passengers. The redeveloped station would also provide about 100,000 square feet of retail space on the main floor, primarily devoted to highly attractive specialty shops and restaurants similar to Harborplace in Baltimore, and 80,000 square feet of office space for Amtrak and other tenants on the second, third, and fourth floors. The details of the commercial and retail aspects of the project will be worked out with a developer to be selected.

The capital cost of that project is estimated to be $70 million. We will use funds already appropriated and available to the Department and Amtrak to fund the project.

Senator Andrews: Your request for FY 1984 includes $3.84 million for rent, security and routine maintenance of Union Station. Does this mean DOT plans to take over responsibility for the station from Interior before the beginning of FY 1984?

Response: Now that we have funding in place for the project I have directed FRA to begin negotiating with Interior over the terms of the transfer. I anticipate requesting the transfer from Interior once appropriate terms have been agreed upon, hopefully in FY 1983.

METRORAIL SYSTEM -- 75 MILES

Senator Andrews: You testified during your confirmation hearings that you had not yet formed a position with regard to a 101-mile metrorail system here in Washington. In view of the fact that some real estate has been purchased for segments outside the 75-mile system, have you had any further thought on the Metro system final size? When will a comprehensive plan be forthcoming?

Response: The Urban Mass Transportation Administration recently reached a consensus agreement with WMATA which defines specific portions of an approximate 75-mile system (76.2 miles) which this administration committed to fund. This agreement is in accord with the Metro funding policy established by former Secretary Lewis and is consistent with present policy of the Department. DOT will continue funding of construction to complete the 76.2 mile system.

FAA EMPLOYEE PAY

Senator Andrews: Last October, Congress approved, through the efforts of this subcommittee, a 5% bonus for certain FAA employees. However, these monies were not distributed by the FAA until January of this year. Through a technicality in the law, this delay made the funds subject to the 1.3% medicaid tax with which all Federal employees are not faced. What is your policy in this regard and what efforts are you taking to preserve the integrity of this bonus, which relates so closely to the President's successful handling of the air traffic controller strike?

Response: Section 278 of the Tax Equity and Fiscal Responsibility Act of 1982 requires deduction of 1.3% medicare tax for all remuneration paid after December 31, 1982. This includes retro-active pay to the air traffic controllers.

For those whose annual wages, including overtime exceed $35,700, there will be little or no adverse impact, because the medicare deduction stops each year after this cap is reached. Any abnormal January deduction (such as on a lump sum retro-active payment) will be offset by having no tax charged on November and/or December 1983 checks as a result of reaching the maximum much sooner in the current tax year.

For lower-graded employees who do not ever reach the maximum deduction, the net effect of the medicare tax is to limit the 5% bonus to an effective 4.935% bonus.

CONRAIL

Senator Andrews: What progress has the Department, along with your investment banker--Goldman, Sachs & Co., made towards selling Conrail?

Response: Based upon the favorable financial results of Conrail for 1981 and 1982, we are optimistic that the private sector will view Conrail as an attractive candidate for acquisition.

Our investment banker, Goldman, Sachs & Co., in cooperation with Conrail, has been preparing information useful to prospective buyers. During March and April, Goldman, Sachs & Co. will be making inquiries within the private sector to gauge the extent and nature of private sector interest in acquiring Conrail.

Senator Andrews: Is Conrail attractive enough to be sold as a single entity or is it more likely to be sold-off in pieces?

Response: We believe Conrail can be sold as a single entity. That has been the preference of the Administration and Congress and that avenue is the only one being pursued at present.

RAIL LABOR

Senator Andrews: What is the likelihood that Conrail's employees will purchase the railroad?

Response: The Railway Labor Executives' Association, which represents most of Conrail's unions, has advised DOT of the employees' interest in acquiring a controlling interest in Conrail.

The Department welcomes the interest of rail labor in the transfer of Conrail's ownership back to the private sector.

At present, however, we do not have an actual offer from the employees, therefore, a direct response to your comment would be highly speculative. However, I can assure you that the Department will give full consideration to any viable offer by the employees to acquire Conrail.

Senator Andrews: Your FY 1984 request includes $20 million for Conrail labor protection. Is this amount enough if Conrail should be sold-off in pieces?

Response: In our judgment, the $20 million labor protection request will be sufficient in either event, although we have not examined the piecemeal sale in any detail.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT

Senator Andrews: If you were to spend the total $2.5 billion authorization for the Northeast Corridor Improvement Project (NECIP), rather than the $2.19 billion you have limited the project to, what items would be done?

Response: The Department does not intend to seek any of the additional $310 million which would exhaust the remainder of the $2.5 billion authorization. Even so, Congress has already specified how the funds, if appropriated, should be spent in the recently enacted Rail Safety and Service Improvement Act of 1982. That Act amends Section 704 (a)(1) of the Railroad Revitalization and Regulatory Reform Act of 1976 by citing a list of projects to be funded under the remainder of the authorization.

STAFFING REDUCTIONS

Senator Andrews: The NHTSA has proposed personnel levels that dropped dramatically from FY 1982 to FY 1983, and are continued in FY 1984. A cut of this magnitude not only disregards Congressional instructions, but we understand will result in a RIF. In what areas of the Department have staffing cuts been proposed and are you planning for a RIF?

Response: With respect to employment, this Department has been very consistent and has not changed its approach during the past year. Our FY 1983 employment plans are essentially the same as those presented to Congress a year and a half ago. We do not have plans to make further FY 1983 reductions. At this moment, we do not anticipate the need for any RIFs in FY 1983.

With the exception of NHTSA and MARAD, the Department's elements are at or below their FY 1983 employment targets. In both instances of NHTSA and MARAD, we believe the FY 1983 employment goals will be met through attrition.

Senator Andrews: In the case of NHTSA, won't these staffing reductions undermine your safety initiatives?

Response: The staffing goals will not undermine NHTSA's safety efforts. To the extent that attrition does not allow achievement of goals, relief from those goals will be granted. The success of the safety initiatives and grant programs will be much more affected by factors other than staffing, such as funding levels, and support by State and local governments and the private sector.

PATCO STRIKE RECOVERY

Senator Andrews: When will the Nation's air traffic control system return to full capacity?

Response: The air traffic control system will be at 100 percent of prestrike capacity by April 1983, however, it will still be regulated for balance and will require staff specialist and supervisory personnel to perform controller duties. By December 1983, the traffic balancing will be reduced to prestrike flow control. Normal prestrike capacity levels without the use of staff specialists and supervisory personnel will be attained by July 1984.

Senator Andrews: Please itemize for the record the staffing by the FAA for the airway system prior to the strike, the current staffing and the projected staffing when you return to full capacity.

Response: Prior to the strike, there were 10,500 full performance level radar controllers; 2,900 full performance level nonradar controllers, most of which manned control towers and 3,100 developmentals for a total work force of 16,500 controllers in the system. As of February 1, 1983, there were 5,100 radar controllers, 2,600 nonradar controllers, 3,100 trainees and 1,140 flight data processors for a total of 11,900 personnel assigned to field facilities. The FAA's goal is to have 6,300 radar controllers, 6,000 nonradar controllers and 1,700 flight data processors for a total controller work force of 14,000 personnel.

SLOT RESTRICTIONS

Senator Andrews: Do you intend to drop the slot restrictions once the system returns to full capacity? Why not?

Response: The FAA intends to drop the slot restrictions once the system returns to full capacity since this program is a strike-related restraint. Flow Control procedures, which have been in use for a number of years, will continue to be applied as traffic density dictates.

METRO SYSTEM TO DULLES INTERNATIONAL AIRPORT

Senator Andrews: Is an additional rail segment from downtown Washington to Dulles something you would consider in tandem with other efforts to increase ridership from Dulles?

Response: At the present time, the regional goal for Metro calls for a 101 mile system to be completed around 1990. A line to Dulles is not part of this initial system. The long range plans for Metro indicate a possible connecting line to Dulles off the Vienna line from the West Falls Church station.

Studies in the last several years have indicated that construction of the line to Dulles is not economically feasible at this time based on projected construction costs versus the projected ridership.

USE OF DOT AIRCRAFT

Senator Andrews: Last year's Conference Report on the Appropriations Bill included a series of directives on the use of Agency and Departmental aircraft. Please provide a summary of your compliance with these directives, and state explicitly what the Department's policy is with regard to the use of Departmental and Agency aircraft.

Response: A review of Departmental aircraft utilization is being conducted. A Departmental Aircraft Study Task Force, with membership from the Office of the Secretary, Federal Aviation Administration (FAA), and the U.S. Coast Guard (USCG), has been established to conduct this review. The report on aircraft utilization will be provided to the Appropriations Committees by April 1, 1983, as called for by the conferees.

Although the FAA and the USCG have extensive policies and procedures concerning aircraft usage, there currently is no overall written Departmental policy. The Aircraft Study Task Force in its review will make recommendations regarding the need for overall Departmental policy and the need for revision of FAA and USCG policies

INTERNATIONAL AVIATION NEGOTIATIONS

Senator Andrews: What do you believe are the proper respective roles of the Secretary of Transportation and the Secretary of State in international aviation negotiations?

Response: The United States delegation to international aviation negotiations consists of representatives from the Department of Transportation, the Department of State, and the Civil Aeronautics Board. Policy decisions for these negotiations are developed by and coordinated among all three agencies, both prior to and during the consultations. Each agency has a particular area of interest and expertise. In this regard, the Civil Aeronautics Board provides technical expertise in ratemaking and other economic regulatory matters; the Department of State emphasizes the foreign policy reasons for accepting or modifying decisions reached on the basis of transportation policy; the Department of Transportation is the

Executive Branch agency principally responsible for developing transportation policy, assuring that short and long-range international aviation policies and objectives will be attained or furthered by positions presented. The Department of State generally conducts the negotiations. There will be instances where the Department of Transportation would be the appropriate agency to chair the negotiations. For example, during the last 18 months, DOT chaired significant bilateral negotiations with the Governments of Japan and Scandinavia and multilateral negotiations with the European Civil Aviation Conference (ECAC).

AVIATION INDUSTRY

Senator Andrews: What can you tell us about your view of the prospects for revived economic health in the airline and airplane manufacturing businesses?

Response. Despite the industry's substantial losses in 1982 and the poor financial situation facing several carriers, four factors are working to improve the industry's prospects in 1983. Labor productivity is improving and unit labor costs are declining; the outlook for lower jet fuel prices is excellent; airport restrictions imposed by the FAA following the August controllers' walkout are becoming less restrictive; and, the recession has bottomed out.

Thus, the industry could become profitable quickly if traffic rebounds and fares firm up by the summer season, although problems could continue for particular carriers.

Regarding the U.S. aircraft manufacturers, they had a very lean year in 1982, both in terms of new orders and corporate profits. While both Boeing and McDonnell Douglas, the two U.S. manufacturers of jet airliners, showed a corporate profit last year, their commercial aircraft operations lagged well behind their military activities in profitability. Some loss of sales was due to foreign competition, but the root of the problem was in the poor financial condition of most of the world's airlines and their inability either to order new aircraft or, in some cases, to take delivery on those already ordered.

Late in 1982 both Boeing and McDonnell Douglas initiated innovative lease-financing programs on their smaller aircraft and stepped up their overseas marketing effort. Boeing completed certification on its new 767 and 757 aircraft, and began customer deliveries. These factors, plus the prospect of improved airline finances in 1983, lead to an expectation of improvement for the manufacturers of large commercial aircraft in the coming year. The manufacturers of commuter airline aircraft similarly experienced difficulty in 1982 and have improved expectations for 1983.

AMTRAK DIVERSIFICATION ACTIVITIES

Senator Andrews: What is the Department's position on Amtrak's expansion into activities which compete directly with private business, such as subway car repair in Beech Grove, Indiana, and Amtrak's recent announcement of its intention to offer auto-ferry service between the Washington, D.C. area and Florida much like the service that Auto-train operated in the past?

Response: The Department supports Amtrak's efforts to reduce its requirement for Federal appropriations through the development of the Corporation's underutilized assets, provided no Federal funds are used to give Amtrak an unfair advantage over private companies. Diversification projects include repair and assembly of subway cars, lease of right of way for commercial communication purposes and lease or sale of stations or adjacent property for urban redevelopment.

At the direction of Congress, Amtrak, with assistance from its big-eight accounting firm, has developed accounting procedures which completely segregate and account for the fully allocated costs of diversification projects to ensure that no Federal appropriations are used for these activities.

The Rail Passenger Service Act authorizes Amtrak to operate auto-ferry service to increase revenues. Amtrak management believes that it can offer auto-ferry service on a profitable basis and serve a necessary transportation function. Because Amtrak is already operating service over virtually the entire route that would be used for auto-ferry, Amtrak believes it can generate additional revenue and earnings without a significant increase in its fixed costs.

Senator Andrews: How are the costs associated with Amtrak's diversification activities related to your FY 1984 request for Amtrak?

Response: Amtrak projects that FY 1984 diversification income net of costs will be $5.1 million. Amtrak has reserved these funds for capital purposes and the FY 1984 budget request assumes that this amount will be available for capital spending.

COAL SLURRY PIPELINES

Senator Andrews: What is the Department's position on coal slurry pipelines?

Response: The President is reviewing the Administration's position on coal slurry pipelines. Until that review is completed, we stand by the Administration's action and position of last year -- that Federal eminent domain authority for coal slurry pipelines should not be granted.

EMERGING GOALS AND ISSUES

Senator Andrews: As a new Secretary, Mrs. Dole, you come into office with certain goals and issues which you hope to address. Please identify those issues you believe to be the most important and, therefore, warrant your more immediate attention. Which issues do you see as longer-term?

Response: Without attempting to develop a detailed national transportation agenda at this time, there are a number of key transportation issues requiring my attention to implement the programs and mechanisms which Secretary Lewis initiated, many in consultation with the Congress. Programs on which we must move forward to realize both near-term and longer-term benefits are the rehabilitation of our highways and public transportation system, the modernization of our national airspace system, the return of Conrail to the private sector, maritime regulatory reform, improved labor-management relations in the Federal Aviation Administration, continuing efforts by the Federal government -- in partnership with the private sector - to curb drunk drivers and increase safety belt usage, and the rehabilitation of Union Station. In general, these are complex issues that do not lend themselves to solution by a single decision and -- just as the benefits -- will require my attention both in the immediate future and in the longer-term.

IMMEDIATE OFFICE STAFFING

Senator Andrews: Please provide for the record your general intentions regarding your immediate staff, including numbers of people you have or intend to hire, their areas of responsibility and their qualifying backgrounds.

Response: I intend to make management efficiency and economy a hallmark of my tenure in the Department, starting with my immediate staff. Accordingly, my staff will be relatively small. I plan to hire only a minimum number of experienced people needed to coordinate information and scheduling and provide liaison with various elements of the Department and outside constituent groups. At present there is a total of 12 positions assigned to my immediate staff. I see no need to expand that number and will look for ways to economize wherever possible.

TRANSPORTATION POLICY

Senator Andrews: What is your assessment of how transportation policy has changed since President Reagan took office?

Response: Since President Reagan took office, this Administration has been committed to reducing Federal intrusion in transportation decisions and assuring that state and local governments as well as the private sector make decisions in all but a limited number of functions and programs that are of legitimate national interest and priority. This direction has been evident in the following policy principles:

1. Federal transportation programs should be financed where possible through user charges levied directly on users or beneficiaries of the services. Accordingly, the user charges for highways and aviation have been revised to better reflect charges by various users and also have been increased to finance the necessary improvements in these systems. The Administration has sought increased user charges for inland waterways, ports and the Coast Guard, but Congress has taken no action on these proposals.
2. Transportation functions that are primarily local in nature should be turned over to state and local governments. This policy is reflected in the recent Federalism Initiative sent to the Congress in February, 1983, which would allow state and local governments to receive transportation block grants for a number of primarily local highway programs.
3. Reliance on the private sector and on market mechanisms should be increased through the return of transportation functions to private operation. The recently published paratransit policy reflects this objective.
4. Federal regulations should be reviewed and reformed to eliminate or modify requirements if costs of the requirements exceed benefits or if the requirements are either not essential to national goals or restrict competition. Numerous requirements have been streamlined, such as the transportation planning regulations, and others have been eliminated.
5. Federal capital investments in transportation facilities should meet sound cost benefit standards.

Senator Andrews: What additional short-term changes do you see on the horizon?

Response: In addition to the policy changes outlined above, I expect in the short-term to focus on:

1. further deregulation of surface transportation, especially the trucking industry,

2. rebuilding the air traffic control system, including modernization of equipment and facilities to assure safe and continued travel,

3. carrying out maritime regulatory reform, and

4. improving safety in all forms of transportation.

SAFETY OF THE AIR TRAFFIC CONTROL SYSTEM

Senator Andrews: During hearings before this Committee in March of last year, representatives from the NTSB committed to take a look at ATC safety within 5 or 6 months. What were the conclusions and recommendations of the NTSB followup study?

Response: The NTSB followup investigation was begun on October 1, 1982, and as yet we have not received a final report. However, on December 20, 1982, the Board did submit four recommendations related to the manner in which on-the-job training (OJT) was being administered and regulated by our ATC facility management.

First, it recommended we immediately cancel our temporary waiver of instructor technique training requirement for OJT instructors. We are not aware of any safety problems associated with our decision, and the NTSB cited none in its December 20, 1982, letter. We have, however, scheduled a sunset date for this policy of May 1, 1983, when the FAA Academy will have completed development of a new and improved OJT instructor training course.

Second, the NTSB recommended that guidance be provided to facility managers on the use of newly certified controllers as OJT instructors. On January 4, 1983, we issued Notice 3120.72 to our field facility managers providing this guidance. Specifically, it requires the OJT instructor to: (1) be certified on the position, (2) have operated the position for a minimum of 30 "solo" hours, and (3) be certified by a first level supervisor to perform OJT.

Third, the Board recommended that facility managers be provided with guidance and procedures on the amount of OJT training that controllers are assigned. Written instructions have been provided to regional air traffic divisions and facility managers concerning guidance on time and workload characteristics. Supervisors are required to constantly evaluate the performance of each OJT instructor and trainee assignment and take appropriate action consistent with changing traffic situations.

Fourth, the Board recommended that we adopt the team assigned Evaluation, Proficiency and Procedures Specialist concept based on the La Guardia Tower model. We do not propose to adopt this recommendation as a requirement for the entire ATC system. The concept is not cost effective at our larger facilities. If the recommended concept were adopted, it would result in as many as 49 additional specialists in some facilities.

Upon receipt of the NTSB final report, the FAA will give full consideration to any additional recommendations.

SURFACE SAFETY

Senator Andrews: As you weigh any proposal to consolidate safety functions within DOT, the Committee has some concerns. For example, "service delivery" will be an important consideration since each State differs in its safety staffing and funding - some are in State DOT's, others in Highway Commissions, still others in Bureaus of Public Safety. How might DOT deliver safety funds and provide Federal safety guidance given this problem?

Response: The proposal to consolidate surface transportation safety functions within DOT has been given some consideration recently because of the potential advantages that a streamlined organization might offer in, for example, carrying out transportation safety policy in a uniform manner. Moreover, this approach might facilitate accomplishment of the Department's goal of placing greater responsibility at the various levels of state and local governments and in the private sector.

At this time however, the Department has reached no decision. As part of the decision-making process, the ability of DOT effectively to distribute safety funds and provide Federal safety guidance will be closely examined.

Senator Andrews: A "budgetary impact statement" is required for most Federal legislation: Is a similar "safety impact statement" required for agency actions? Should it be? What would be the likely costs and benefits of requiring such a statement?

Response: No "safety impact statement" per se is required in DOT. However, DOT's basic mission is transportation safety, and in carrying out that role the Department continually evaluates the effectiveness of existing safety programs and of any proposed changes. Therefore, we believe that there would be little or no benefit to requiring such a statement.

HIGHWAY SAFETY

Senator Andrews: How effective are Federal efforts to assist State and local traffic safety programs, and, on a related subject, how effective are Federal Motor Vehicle Safety Standards? What Federal changes have been made during the past two years in these regards and what new initiatives do you plan to propose?

Response: Federal efforts to assist State and local traffic programs are effective. The Safety Formula Grant Program has done much to channel State and local spending into those highway safety programs which are most effective in reducing accidents, injuries and fatalities. It has promoted growth in the quality and quantity of highway safety programs initiated and it has catalyzed the implementation of programs which deal with priority safety problems. Our research and development program has supported this effort by providing extensive information, technical developments and other products to the States for use in their programs. We believe that our assistance program has been a major factor in the nation's declining fatality rate -- from 5.5 fatalities per 100 million miles of travel in 1966, to 3.16 in 1981, and 2.82 in 1982.

This agency's motor vehicle safety standards are believed to be another key factor in the decline of the fatality rate. Based on our most recent analysis, we estimate that vehicle crashworthiness standards alone have saved 77,000 lives between 1966 and 1981. This number is increasing by about 8,000 each year as older, less-safe cars are retired and replaced by newer, safer ones. The agency has also had underway for several years a program to evaluate the effectiveness and costs of individual safety standards. To date, we have completed reviews of the costs and benefits of the following standards: hydraulic brakes, head restraints, steering columns, side impact protection, bumpers, and fuel tank integrity. Our most recent evaluations showed that the side impact standard has resulted in an annual savings of 480 lives and 9,400 serious injuries. The fuel tank standard saves 400 lives and 600 injuries per year and reduces the number of crash-related fires by 6,500 annually.

During the past two years, substantial changes and refinements have been made to our programs which, we believe, will result in the maximum achievable reductions in deaths and injuries in the quickest and most effective ways.

For example, a greater emphasis has been placed on raising the public's awareness of the risks and consequences of driving, particularly without using restraints or while drinking. In the motor vehicle safety area, we have focused more attention on the marketplace to reflect the growing awareness of safety issues, and on the auto manufacturers to consider safety as they develop cars to meet future needs.

The plan of priorities which guides NHTSA's research activities, is based on a new approach. Instead of the traditional compartmentalized approach of setting separate priorities for motor vehicle crash avoidance, motor vehicle crashworthiness, and highway safety projects, for the first time the safety priorities emphasize a conscious, coordinated and carefully devised balance between motor vehicle and driver safety types of activities.

Future program initiatives and directions are those reflected in the plan of safety priorities. Highway safety efforts will continue to focus primarily on alcohol control and safety belt usage. We are improving our National Driver Register system to complement the alcohol program. The Alcohol Incentive Grant Program, enacted last year, will promote improved alcohol safety efforts by States and localities. Our occupant restraint program is beginning to reach every age group and socio-economic level with persuasive information on the risk of riding in cars and the tremendous life-saving benefits of wearing belts. We are continuing our efforts to make the most effective use of the monies in the State and Community Highway Safety Grant Program. Last April, NHTSA and FHWA issued a final rule which identified and continued grant funding eligibility for the six program areas determined most effective in promoting safety. This rule also established a mechanism to fund additional programs of similar safety payoff.

The emphasis in motor vehicle safety will continue in the high payoff areas. Our top motor vehicle priorities include improvements in steering assemblies, side impact protection, occupant restraints, lighting, instrument panels, heavy vehicle braking, and glazing. We also intend to continue and expand the coordinated government-industry effort in automotive research.

We recognize the growing public awareness of motor vehicle safety issues, and one of our goals is to assist the consumer in translating this general awareness into specific knowledge which will help him or her make informed decisions in the new car marketplace. NHTSA's New Car Assessment Program provides motorists with safety and consumer information on popular foreign and domestic new cars, based on 35 mph crash tests to measure levels of occupant protection.

SEAT BELTS/CHILD RESTRAINTS

Senator Andrews: What efforts are you making to increase seat belt and child restraint use? Have you set goals, such as increasing seat belt use from 10-15% within the next two years?

Response: Efforts to increase safety belt and child safety seat usage involve a comprehensive, multi-faceted program designed to reach, inform, persuade and reinforce usage behavior by large numbers of Americans. The program consists of a mass media effort, a networking program designed to engaged the involvement of a large number of private sector organizations, a corporate/employer program, a State and local government program, and a Federal government outreach effort. The primary methods being used within the program listed above to increase safety belt and child seat usage are public information, education, incentives, and use requirement policies. Safety belt usage rates of 25 percent and child seat usage rates of 50 percent (or even greater) should be achieved within the next 3 years, if all aspects of the program are put into place and most are incorporated at State and local level.

BUMPER STANDARDS

Senator Andrews: Do you intend to reopen the 2.5mph bumper issue?

Response: The agency is continually evaluating the performance of bumpers in "real world" accident situations. We presently have underway efforts to obtain the weights and manufacturing costs of model year (MY) 1982 and 1983 bumper systems. Information on bumper-related insurance claims for MY 1982 is also being obtained. These data will be updated periodically as part of our long-term monitoring of the bumper standard. For example, our FY 1984 budget contains 3 additional bumper-related projects: (1) insurance claims data for MY 1983 cars; (2) cost and weight data for MY 1984 bumper systems; and (3) data on damage sustained in crashes which are not reported to insurance companies. Analyses of the above nationally representative data will contribute to decisions about future action by the agency.

NATIONAL DRIVER REGISTER

Senator Andrews: Whom have you appointed to the NDR Advisory Committee set up by the recently-enacted National Driver Register Act?

Response: We understand how important this Committee is and are in the process of establishing it now. As soon as the Charter for the Committee has been approved, members will be appointed. We will keep you advised of our progress.

Senator Andrews: How many States have indicated they will be participating in the National Driver Register program?

Response: All States presently participate in the National Driver Register, although in varying degrees; and all States have given some indications they will be participating in the NDR program. All but three States (Florida, Nebraska and New York) submit file checks and all but three (different) States (Connecticut, Massachusetts and Texas) provide reports of license withdrawals and denials. The extended history of participation by most States, in a system with the deficiencies and limitations of the current NDR, offers encouragement that these States will remain active participants in the improved system which they have long urged us to adopt.

MODAL FUNDING TRENDS

Senator Andrews: Please provide for the record a table showing for your fiscal year 1984 request, and each of the 10 fiscal years prior to fiscal year 1984, the percentage of funding provided to each of the operating administrations within DOT, as follows: Federal Highway Administration, Federal Aviation Administration, Urban Mass Transportation Administration, Coast Guard, Federal Railroad Administration (including AMTRAK), National Highway Traffic Safety Administration, and all other (excluding Maritime Administration). In addition to this tabular presentation of percentage trends, include a graph for the record showing these percentages over the 10 year time frame.

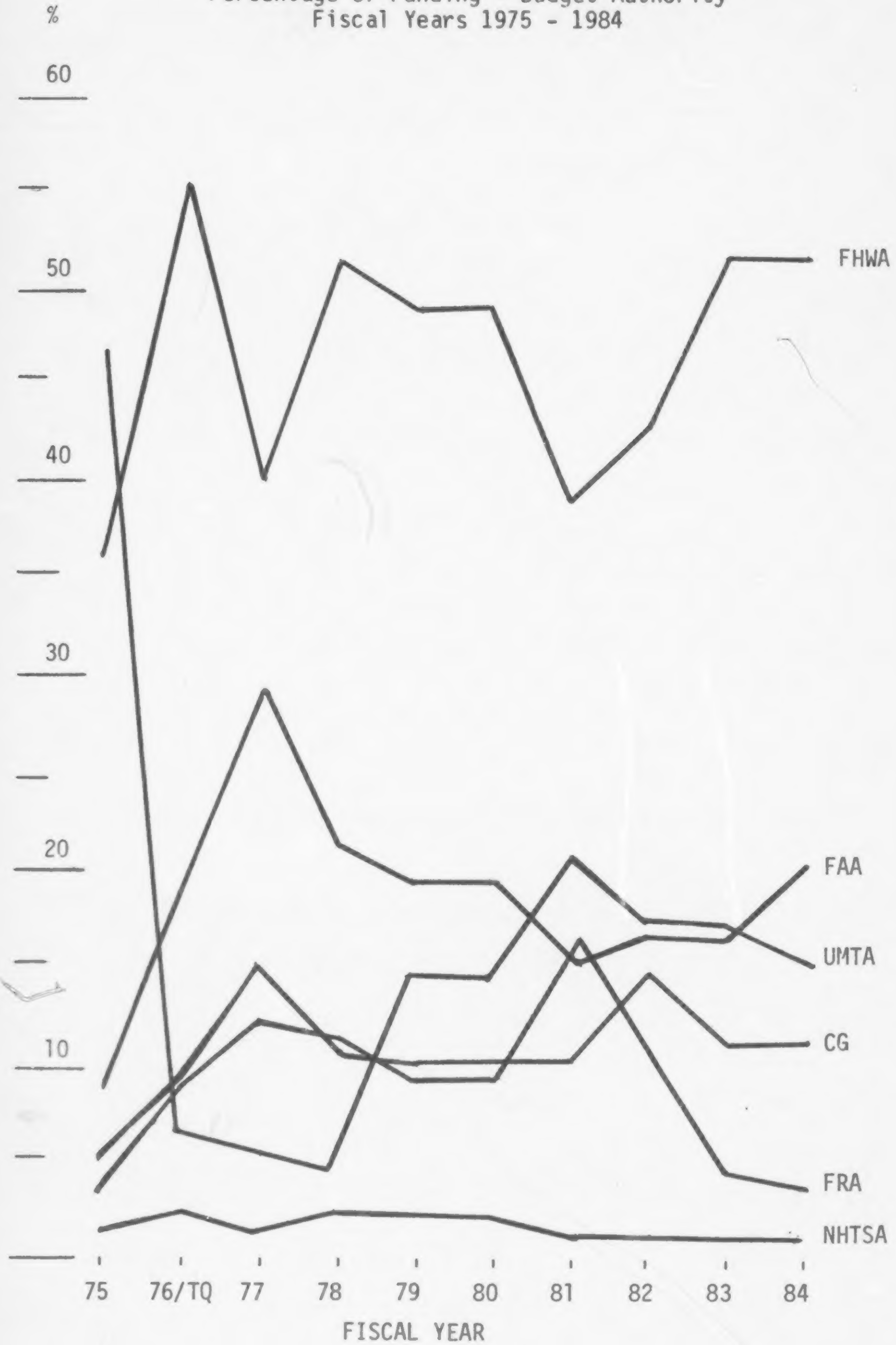
Response. The requested table and graph follow:

Department of Transportation
(Excluding Maritime Administration)
Percentage of Funding - Budget Authority
Fiscal Years 1975 - 1984

Fiscal Year	FHWA	NHTSA	FRA	UMTA	FAA	USCG
1975	36	1	3	46	9	5
1976/TQ	55	2	9	6	19	9
1977	40	1	12	5	28	14
1978	52	2	11	4	21	10
1979	48	2	9	14	18	9
1980	48	2	9	14	18	9
1981	39	1	16	20	15	9
1982	43	1	10	17	16	13
1983 (Est.)	52	1	4	17	16	10
1984 (Est.)	52	1	3	15	19	10

NOTE: All other elements (SLSDC, OIG, RSPA, & OST) comprise less than 1% of the total.

DEPARTMENT OF TRANSPORTATION
(Excluding Maritime Administration)
Percentage of Funding - Budget Authority
Fiscal Years 1975 - 1984



BUDGET AUTHORITY FINANCED BY USER FEES

Senator Andrews: Please provide for the record a table, for the period from fiscal year 1981 through the fiscal year 1984 request, illustrating the percentage and actual amounts of DOT budget authority financed by user fees.

Response: The requested table follows:

DOT Budget Authority
Financed by User Fees
(dollars in millions)

	FY 1981 Actual	FY 1982 Actual	FY 1983 a/ Estimate	FY 1984 Request
Total Budget Authority	$23,710	$20,547	$ 25,945	$27,019
Amount Financed by User Fees	10,718	10,074	16,397	18,709
Percentage Financed by User Fees	45%	49%	63%	69%

a/ Includes proposed supplementals

TRANSPORTATION SUBSIDIES

Senator Andrews: Please provide for the record a table identifying, specifically, those modes and items of transportation which are subsidized by the Federal Government, in what ways and to what extent.

Response: The following table is provided in answer to your question.

1982 FEDERAL TRANSPORTATION SUBSIDIES BY MODE

(Millions of dollars)

Mode	Federal Outlays	Budget Receipts	Net Subsidies
Urban Public 1/	$ 3,954	$ 0	$ 3,954
Highway	8,250	7,822	428
Rail (Intercity)	2,225	0	2,225
Waterway & Marine	4,367	470	3,897
Pipeline	2	0	2
Air	3,564	1,749	1,815

1/ Includes commuter rail transportation.

Urban Public Transportation

The Federal outlays include grants to states and local agencies for the construction, acquisition and improvement of mass transportation facilities and equipment and for the payment of operating expenses. Also included are FRA commuter rail subsidies, research and administrative expenses of the Urban Mass Transportation Administration and Federal interest payment contributions to the Washington Metro Transportation Authority.

Highway

Except for miscellaneous trust funds, all of the Federal Highway Administration and the National Highway Traffic Safety Administration outlays are included. These expenses include motor carrier safety; highway beautification; territorial highway assistance; demonstration projects; interstate substitution; construction and improvements on the National System of Interstate and Defense Highways and for urban and rural systems; bridge replacement and rehabilitation; highway safety; emergency relief; research, analysis, and development; right-of-way purchases; safety rulemaking and enforcement; general operating and administration expenses. Most Federal outlays for highways are financed out of the Highway Trust Fund which is derived from user taxes. Outlays are also included for road construction and improvement in the Department of Interior's Bureau of Indian Affairs.

Rail (Intercity)

The Federal outlays include expenses for rail safety enforcement, inspection and program administration; railroad research and development; financial assistance to states for planning, rail service continuation, rehabilitation and for providing substitute service; the Northeast Corridor Improvement Program; grants to Amtrak; the purchase of redeemable preference shares and loan guarantee defaults for railroad rehabilitation and improvement and Conrail labor protection. Outlays are also included for Interstate Commerce Commission's directed rail service and the United States Railway Association.

Waterway and Marine

Federal outlays include those parts of Coast Guard expenses that are transportation related such as aids to navigation, marine safety and marine environmental protection and all expenses of the Maritime Administration which include subsidies for construction and operation of vessels by American flag operators, research and development and training of ship officers. Also included are those expenses of the Corps of Engineers for construction and operations and maintenance of channels and harbors, locks and dams and protection of navigation; the salaries and expenses of the Federal Maritime Commission and the expenses of the Panama Canal Company. The budget receipts shown are from the Inland Waterways Fuel Tax and tolls and revenues to the Panama Canal Commission.

Pipeline

Outlays are for the Research and Special Programs Administration grants-in-aid activity for State pipeline safety programs.

Air

All of the expenses of the Federal Aviation Administration are included. They include costs for constructing, operating, and maintaining the national air traffic system; administration of the airport grant program; safety regulation; operation and maintenance of Dulles and National Airports and research and development; all expenses of the Civil Aeronautics Board which include salaries and expenses and payments to air carriers for service to small communities. Those expenses of the National Aeronautics and Space Administration related to air transportation are also included. Budget receipts shown are from the Airport and Airways Trust Fund which is derived from passenger ticket taxes, fuel taxes and certain other taxes paid by airport and airway users; and fees and revenues to the Metropolitan Washington Airports.

FEDERAL IMPACT ON LOCAL DECISIONS

Senator Andrews: In your judgment, to what extent do states and local communities make transportation decisions based on the availability of certain types of Federal funding? What is your reaction to this and what changes do you propose for the future?

Response: To the extent that Federal transportation funds can be used by states and local communities only for specific purposes, the availability of those funds obviously has significant impact on state and local transportation decisions. The fact that Interstate construction funds, for example, have generally been available only for projects on the Interstate system has been critical to the success to date in building that system.

I believe that limiting the use of Federal transportation funds to specific purposes is appropriate when those purposes serve clear Federal interests. However, when the funds are for use on systems which impact states and local communities but have little or no impact on interstate commerce or the national transportation system, the Federal government should provide the maximum flexibility to state and local governments to use those funds to meet the needs as they see them.

The Surface Transportation Assistance Act of 1982 created a formula block grant program for mass transit projects. The majority of these funds will be used for capital transit projects which will encourage reinvestment in transit infrastructure. This new block grant program should also increase the flexibility of local officials in planning and funding projects.

The President's "New Federalism" proposal, which will be transmitted to the Congress shortly, will also provide increased flexibility to states and local communities with regard to highway programs which are of primarily state and local interest.

(Subsequent to the hearing, the President transmitted the "New Federalism" proposal to the Congress on February 24. The "Transportation Block Grant" proposal consolidates six highway programs, covering urban and secondary systems, bridges other than primary or high-cost, highway-related safety grants, hazard elimination, and rail-highway crossings. The new block grant program will increase the flexibility of local officials in planning and funding projects.

AUTOMOBILE INDUSTRY

Senator Andrews: What do you view as the Department's proper role in regard to the renewed economic vitality of the automobile industry?

Response: In earlier years, particularly 1979 through early 1981, the Department took a lead role in an interagency task force effort to analyze the situation in the automobile industry and to examine appropriate government measures to assist the industry. Shortly after the President accepted the task force's recommendations for actions to assist the U.S. auto industry in April 1981, the decision was made that continuing Administration interest in the economic health of the automobile industry is more in consonance with the missions of the Commerce Department.

The Department of Transportation, however, continues to have a major role in automotive safety, which we are actively pursuing. I believe we need to be keenly aware of the public interest both in the industry's ability to continue producing safe, economical cars and its ability to continue as a major contributor to the nation's employment and GNP. We are carefully reviewing each regulatory action in this light and we are cooperating with the Commerce Department in its continuing consideration of the health of the industry.

FY 1983 MASS TRANSIT APPORTIONMENT

Senator Andrews: How will you apportion UMTA's FY 1983 Mass Transportation Capital Funds in view of your proposed deferral of $229 million? Are you apportioning all $779 million or $550 million?

Response: The full contract authorization of $779 million will be apportioned in accordance with the statutory formula contained in the Surface Transportation Assistance Act of 1982. On January 24, 1983, we published in the Federal Register a partial apportionment of $506 million to allow potential grantees to begin local programming activities. The remaining apportionment is being reserved while further data needed to complete the apportionment is developed and submitted by our grantees. The final apportionment will be published by July 1, 1983. We will fully apportion the contract authorization $779 million, but we will limit our allocation of obligational authority to $550 million for FY 1983.

RESEARCH AND DEVELOPMENT

Senator Andrews: Based on the President's State of The Union Message emphasis on research, what is your view of the coordination of the various research activities within the Department? Can they be integrated? Would the goal of any consolidation be to achieve budget savings or to integrate research activities? How will you encourage private sector participation in research and development?

Response: The Department of Transportation's research and development (R&D) program is oriented toward providing the information and new technology needed for the diverse mission oriented programs of the several Operating Administrations. The R&D programs are primarily directed to areas where there is a specific Federal role and the R&D is not more appropriately accomplished by the private sector. The major criteria for R&D programs development relate to supporting and improving operations, improving effectiveness of Federal grants, providing a basis for sound regulations, supporting policy analysis, and developing and stimulating technological advances and innovation in services and facilities. These diverse missions, and resultant R&D programs, do not lend themselves to an integrated, centrally managed R&D approach, except in limited areas.

The total DOT program is coordinated and rationalized on a Department-wide basis by the review of mission oriented projects, developed according to the criteria noted above, for fiscal restraint relative to national funding priorities, sound economic criteria and application, technological advancement, and overlap of objectives. The management reviews to implement these policies are inherent in the Department's budget review process and the program review process provided by the Transportation Systems Acquisition Review Council chaired by the Deputy Secretary. Coordination and and oversight of the Department's R&D program through these processes have improved the efficiency and benefits of the programs and have provided cost savings in many instances by improved coordination between the Administrations.

We are currently conducting an overall Departmental review of our R&D programs, with principal emphasis on the options to encourage and facilitate private sector participation in Government R&D. We are also reexamining the possible coordination of R&D programs to achieve more efficient use of resources, but -- except for some limited policy evaluation and data development areas -- do not plan to integrate the mission specific R&D efforts of the Operating Administrations.

R&D - ROLE OF TSC

Senator Andrews: As you assess the role of research within DOT what consideration has been given to expanding or contracting the TSC in Massachusetts?

Response: The Transportation System Center (TSC) is a demand driven activity which is funded through the Working Capital Fund (WCF) to respond to and meet the priority needs of the individual Operating Administrations. The system works well and we have no plans to change it.

We anticipate that the total level of effort at TSC will remain relatively stable over the next few years. We can expect that the specific mix of programs will change as the program plans of the the various Admininstrations shift due to misison or budget changes.

Senator Andrews: Will you allow modal administrators to "drop out" of TSC support through the Working Capital Fund in order to conserve research resources?

Response: The Operating Administrations fund TSC through the Working Capital Fund according to TSC's capability to support their programmatic goals and objectives. There are no constraints on the Administrators to force using TSC, but it would take a major change in mission emphasis to affect a "drop out". As noted above we do not anticipate such actions and see a relatively stable level of effort at TSC.

There has been a major shift in the TSC program mix of "hard" versus "soft/analytical policy related" R&D over the past few years. While the emphasis on hardware research and development at TSC has decreased, it has been more than compensated for by an increasing work load relating to policy analysis, regulatory analysis, economic analysis, and operational analysis.

BUY AMERICA

Senator Andrews: There has been much discussion since passage of the Surface Transportation Act, of implementation of the Buy American provision. The FHWA has issued an interim rule and UMTA, we understand, is still drafting their rule. What problems does the Department see ahead with regard to implementation of this section?

Response: One major change is the requirement that all steel, cement and manufactured products must be produced in the United States. The legislative language also requires Buy America to apply to all projects as opposed to current provisions which only apply to projects costing more than $500,000. FHWA issued an interim final rule on January 17, 1983, that temporarily waives the provisions as they apply to manufactured products other than cement and steel and to projects estimated to cost less than $450,000. This determination was based on the fact that sufficient information is not yet available to adequately assess the impacts of applying Buy America provisions to all manufactured products and to all projects regardless of project cost.

In regard to the transit program, it is likely that a number of grant recipients will request "public interest" waivers. This will require a careful weighing of the facts in each instance to determine whether it is in the public interest to waive the Buy America requirements. There is considerable interest in the application of Buy America provisions to the transit program in light of economic conditions especially the high level of unemployment. UMTA is developing regulations to implement the statutory provisions. These regulations are expected to be issued within the next 30 days.

The STAA of 1982 also permits states to impose more stringent requirements than are imposed by the Act and revises the total contract cost differential permitting the use of foreign materials from 10 percent to 25 percent, except for transit vehicles for which the differential will remain at 10 percent. These and other more technical changes may cause some problems in implementing the Buy America provisions.

AUTOMATED TRACK INSPECTION PROGRAM

Senator Andrews: It is clear from public remarks you have made that safety is an issue of vital concern to you. If so, why are you requesting the elimination of the Automated Track Inspection Program. What benefits have been achieved by this program?

Response: FRA's Automated Track Inspection Program has been operational for nearly a decade with the number of miles inspected using automated track inspection vehicles increasing from 4,722 in FY 1974 to a high of 72,666 in FY 1981. During a time of high deferred maintenance and low railroad earnings, this program served as a valuable complement to the work of FRA's track inspectors by providing a visible profile of the effectiveness of the railroads' maintenance and inspection efforts. The cost to the Federal government of the program has risen, however, to approximately $90 per mile.

In keeping with the FRA's new set of objectives which aim to reduce Federal intervention in the railroad industry, we have transferred two of our Automated Track Inspection Vehicles under licensing agreements to Conrail and Amtrak. The FRA is also attempting to increase the use of automated track inspection throughout the industry and to demonstrate the feasibility of reduced automated inspection costs; we have equipped two vehicles with portable track geometry inspection packages. By FY 1984, we anticipate that most railroads will either own their automated inspection equipment or will have pooling agreements with other railroads for use of such equipment.

BRIDGE REPLACEMENT AND REHABILITATION

Senator Andrews: With regard to the condition of bridges throughout the country, please update the tabular material which appeared on page 137 of last year's hearing identifying bridges that are deficient, along with a current estimate of the cost of replacement and rehabilitation.

Response: We are now preparing the updated material for inclusion in the Fourth Annual Report to Congress on the Highway Bridge Replacement and Rehabilitation Program. The tabulation should be completed in the near future and will be provided at that time. We will provide data from last year's Report to Congress at this time.

(the information follows)

Bridge Classification	December 1980	December 1981
Inventoried Off-System Bridges		
Structurally Deficient	31.0%	33.4%
Functionally Obsolete	25.4%	27.4%
Inventoried Federal-Aid Bridges		
Structurally Deficient	9.2%	10.5%
Functionally Obsolete	14.8%	15.5%

Current Estimate of Costs
(in billions of dollars)

	Replacement	Rehabilitation	Total
Off-System Bridges	$18.8	$ 4.2	$23.0
Federal-Aid Bridges	14.1	10.5	24.6
Total	$32.9	$14.7	$47.6

RESEARCH TRENDS

Senator Andrews: Please provide the Committee with an updated analysis of the Department's research programs, including budget tables that show spending trends, and a narrative explaining the 1984 changes, similar to the material which appears on pages 117 through 121 of last year's hearing.

(The information follows:)

DEPARTMENT OF TRANSPORTATION
CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration/Appropriation	Obligations			Outlays		
	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Federal Highway Administration						
Federal-Aid Highways:						
R&D, Highways	$ 11.8	$ 17.7	$ 15.0	$ 13.1	$ 14.1	$ 15.8
Highway Planning & Research	21.8	23.2	24.5	21.8	23.1	24.5
Highway Safety Research and Development ...	6.2	12.3	8.6	7.0	7.7	9.5
Motor Carrier Safety	.5	.7	.6	.6	.6	.6
Subtotal	40.3	53.9	48.7	42.5	45.5	50.4
National Highway Traffic Safety Administration						
Operations and Research	29.3	36.2	34.8	28.5	35.7	32.2
Highway Safety Research and Development ...	26.1	23.0	22.2	31.2	22.4	24.2
Subtotal	55.4	59.2	57.0	59.7	58.1	56.4
Federal Railroad Administration						
Administration, Research, and Special Projects	18.2	29.5	17.0	17.4	29.8	12.5
Urban Mass Transportation Administration						
Urban Mass Transportation Fund	62.5	58.8	45.5	75.4	67.6	56.7

DEPARTMENT OF TRANSPORTATION
CONDUCT OF RESEARCH AND DEVELOPMENT (CONT'D)
(in millions of dollars)

Administration/Appropriation	Obligations			Outlays		
	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Federal Aviation Administration						
Research, Engineering, and Development	$ 67.0	$110.0	$286.0	$ 71.6	$ 93.6	$209.0
Facilities, Engineering, and Development ..	9.5	15.2	-0-	17.4	15.2	5.6
Operations	17.8	17.4	17.9	17.6	17.2	17.7
Subtotal	94.3	142.6	303.9	106.6	126.0	232.3
U. S. Coast Guard						
Research, Development, Test, and Evaluation	20.0	20.0	22.2	18.4	19.0	18.2
Maritime Administration						
Research and Development	11.1	17.3	13.0	18.9	18.3	15.2
Research and Special Programs Administration						
Research and Special Programs	4.1	6.8	4.6	4.4	6.2	3.5
Office of the Secretary						
Transportation Planning, Research, and Development	3.3	5.6	7.3	5.6	5.5	6.0
TOTAL	$309.2	$393.7	$519.2	$348.9	$375.7	$451.2

DEPARTMENT OF TRANSPORTATION
RESEARCH AND DEVELOPMENT FACILITIES
(in millions of dollars)

	Obligations			Outlays		
Administration/Appropriation	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
National Highway Traffic Safety Administration						
Operations and Research	$ .5	$ .5	$ .5	$ .5	$ .5	$ .5
Federal Railroad Administration						
Administration, Research, and Special Projects	6.3	--	--	8.2	3.2	--
Federal Aviation Administration						
Facilities and Equipment	5.1	13.8	23.0	4.3	7.2	18.2
TOTAL	$ 11.9	$ 14.3	$ 23.5	$ 13.0	$ 10.9	$ 18.7

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF CHANGES IN OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration	FY 1983	FY 1984	Difference	Remarks
FHWA	$ 54	$ 49	$ -5	The net reduction is due to 1983 obligation of $6M carryover funds for R&D Highways and Highway Safety R&D (no carryover estimated for 1984), offset in part by increased new authority of $2M in 1984. FHWA will continue research in highway planning, design, construction, and maintenance to insure an effective and efficient highway system. Research would also be conducted in identifying and correcting impediments to highway safety and on improving common carrier safety.
NHTSA	59	57	-2	The net reduction is due to 1983 obligation of $4M carryover funds for the seatbelt and passenger vehicle programs (no carryover estimated for 1984), offset in part by increased new authority of $2M in 1984. The requested funding will provide for motor vehicle research, traffic safety research and demonstrations, emphasizing safety belt usage, alcohol countermeasures, and for analytical studies. The National Accident Sampling system, which provides for the collection and analysis of nationally representative accident and injury data, would be continued.

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF CHANGES IN OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT (CONT'D)
(in millions of dollars)

Administration	FY 1983	FY 1984	Difference	Remarks
FRA	$ 29	$ 17	$ -12	The reduction is due to FY 1983 obligation of $12M carryover funds. This carryover largely resulted from projects that did not develop sufficiently to receive FY 1982 funding and from projects whose intended obligation occurred just after the end of FY 1982. No carryover is estimated into FY 1984. FRA will continue to emphasize high priority safety research that results in more cost-effective safety compliance and enforcement techniques.
UMTA	59	45	-14	The reduction is primarily attributable to the proposed discontinuance of further funding for the Advanced Group Rapid Transit System. FY 1983 also includes the Congressionally mandated Georgetown Vehicle Access project for $7M. No additional funds are proposed for this project in FY 1984. The FY 1983 program level includes $1.9M in unobligated carryover. No carryover is estimated into FY 1984. These reductions are offset by increased obligations of $7M for Bus and Paratransit, Transportation Management, and Rail and Construction Technology. These research activities provide a near-term payoff and will continue to improve the efficiency, productivity, and safety of transit systems, as well as support the research activities of UMTA's technical assistance program.

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF CHANGES IN OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration	FY 1983	FY 1984	Difference	Remarks
FAA	$ 143	$ 304	$ +161	The increase is primarily due to the Advanced Automation program where the $157M estimate is $117M over 1983. The program covers that planning, research, development, and testing necessary to implement a modern air traffic control (ATC) automation system with replacement of the current 1960's generation ATC computer systems. An increase of $6M is in continuing projects on modernization of systems to acquire, process, and disseminate aviation weather information; and a $6M increase is in that category of projects aimed at developing a communications system for the switching and transmission of voice and the distribution of data rapidly and reliably in support of the future highly automated ATC system. Another highlight is the Aviation Medicine research increase of $5M.
USCG	20	22	+2	The $2M increase is primarily due to increased emphasis in the areas of search and rescue, advanced marine vehicles, and command and control systems. The CG will continue research on environmental protection, marine safety, aids to navigation, and the enforcement of laws and treaties.

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF CHANGES IN OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(in millions of dollars)

Administration	FY 1983	FY 1984	Difference	Remarks
MarAd	$ 17	$ 13	$ -4	The reduction reflects the net result of completing the current phase of the Arctic shipping program ($-5M) and the $1M increase for advanced ship operations research in the areas of crew size reduction and ship control on shallow waters. MarAd will continue research to improve the productivity and competitive posture of the U.S. maritime industries.
RSPA	7	5	-2	RSPA will continue its emergency preparedness and mobilization efforts, hazardous materials and pipeline safety regulatory programs. The reduction is largely associated with the university research program, and will allow funding of high priority operations safety programs.
OST	6	7	+1	The increase is attributable to TPR&D activities that are concerned with studying the impact of recent legislative and regulatory changes. OST will continue policy research on domestic and international transportation issues.
TOTAL	$ 394	$ 519	$ +125	

SUMMARY OF RECENT AUTHORIZATIONS

Senator Andrews: For programs whose financing was shifted from regular appropriations to contract authority, please provide for the record a comprehensive and detailed compilation of the new Surface Transportation Assistance Act (as well as the recently reauthorized Airport and Airway Act) showing by old and new program and section number, the amounts of funds provided through the appropriation process in fiscal years 1982, 1983, and the amounts requested for the 1983 supplemental and for fiscal year 1984. For 1983 and 1984, provide sub-detail correlating by actual amount the relationship between your request and the amount authorized. Be sure your presentation is explicit where old programs are replacing new ones, and where old and new programs may coexist in 1983. Please make your presentation primarily tabular, with supplementary narratives.

(The information follows:)

PROGRAMS, FORMERLY FUNDED BY APPROPRIATIONS,

NOW FUNDED BY CONTRACT AUTHORITY (CA)

($ Millions)

	1982			1983			1984			
	Approp. Authority	Approp.	CA	Approp. Authority	Approp.	CA	Approp. Authority	Approp. Request	CA	Authority
FHWA										
Territorial Highways	12.0	3.0	--	--	3.0	7.5 1/	--	--	8.5 1/ (Est.)	23 USC 215, & §108 of P.L. 97-424.
Interstate Transfer Grants-Highways	Indefinite	400.5	--	Indefinite	518.0	257.0 1/	--	--	700.0 1/	23 USC 103(e)(4), & §107 of P.L. 97-424.
NHTSA										
Safety Education & Information	No-Year (16.0)	--	--	No-Year (16.0)	--	16.0 2/	--	--	--	§209 of P.L. 95-599 as amended by §206 of P. L. 97-424.
UMTA										
Formula Grants	1,885.0	1,433.0	--	(lapsed)	1,268.0	779.0 3/	2,750.0	1,974.0	--	UMTA Act, §5, 9A, 18, & §302, 303 of P.L. 97-424.
Discretionary Grants	1,580.0	1,464.0	--	1,580.0	1,606.0	--	--	--	1,250.0 4/	UMTA Act §3, and §302, 303 of P.L. 97-424.
FAA None										
USCG										
National Recreation Boating Safety & Facilities Improvement Fund	20.0	--	--	20.0	5.0 5/	45.0 5/	--	--	45.0 6/	P.L. 92-75 and §421 of P.L. 97-424.

Notes

General: "Appropriations" includes budget authority and excludes liquidating cash. "Appropriations Authority" does not include contract authority (CA).

1/ Part of "Federal-Aid Highways".
2/ Part of "Highway Traffic Safety Grants".
3/ Part of "Mass Transportation Capital Fund". For 1983 CA, obligation limitation proposed at $550.0 million in 1983 supplemental appropriation request.
4/ Part of "Mass Transportation Capital Fund". For 1984, obligation limitation proposed at $1,100.0M; would bar use of carryover CA for §9A

5/ 1983 Supplemental request would impose 1983 Obligation Limitation of $5.0M on CA. 1983 Rescission proposal would rescind $5.0M appropriations.
6/ 1984 Obligation Limitation proposed at $15.0M.

PORTS AND HARBORS

Senator Andrews: The President, in the State of the Union address, pointed out that our trade position can be improved by making our port system more efficient and more active harbors translate into stable jobs in related industries. Could you provide this Committee with any specific programs the President has in mind to improve the efficiency of our ports? When can we expect the Administration's Part III Maritime proposal?

Response: The Administration will propose harbor improvement and cost recovery legislation, which will provide for both cost recovery and expedited work on economically worthwhile projects.

DAVIS-BACON

Senator Andrews: Section 149 of the Surface Transportation Assistance Act of 1982 applies Davis-Bacon rules regarding prevailing wage rates to 3R and 4R projects, as well as initial construction. What will be the additional cost of rebuilding the transportation infrastructure due to this provision?

Response: Several organizations including the General Accounting Office have conducted studies on the impact of Davis-Bacon wage rates. These studies indicate impacts varying from 1 to 20 percent. Although no definitive information is available, we estimate the increased cost to be approximately 6 to 8 percent.

Thirty States and Puerto Rico currently have parallel State wage regulations, generally referred to as "Little Davis-Bacon" requirements. The application of Davis-Bacon wage rates to 3R and 4R projects within these States will have very little or no effect. The estimated cost of applying Davis-Bacon wage rates to 3R and 4R projects in the District of Columbia and twenty States that do not have "Little Davis-Bacon" requirements would be approximately $80 million annually.

FULL FUNDING FOR METRO

Senator Andrews: The Urban Mass Transportation Administration policy requests that rapid-rail systems use full-funding contracts which set a ceiling on the level of the Federal Government's expenditures and give projected annual funding levels, subject to availability through the annual appropriation process. At the time UMTA issued this policy, in 1978, much of Metro rail had been funded and it was deemed not feasible to retroactively apply the policy. Currently, 26 miles of Metro rail have not yet been funded and applying the full-funding approach to the remaining segments could, according to the GAO, still result in substantial Federal savings. Estimated Federal cost savings of over $200 million have already resulted from the use of full-funding contracts for two other transit systems under construction in Atlanta and Miami. What is your response to this GAO recommendation, which would seem could help accomplish funding of the full 101 mile Metro rail system at substantial savings?

Response: Although the Department has achieved certain cost savings in the use of full-funding contracts, this technique has not been applied in the WMATA construction program. Following completion of DOT's funding commitment to complete about 75 miles of the Metro rail system, we will evaluate the cost to complete all, or various segments, of the remaining 26 miles of the total system.

We will consider, at that time, the applicability of the full-funding approach to such construction commitments as may be undertaken to complete the system.

DOT POLICY FUNCTION

Senator Andrews: Incoming Secretaries of Transportation have not found in place a system for formulating and implementing Department-wide, long-term policy. The General Accounting Office has proposed that the Secretary establish a system for long-term policy development and implementation Department-wide, and designate responsibility to a unit within the Office of the Secretary for managing and operating the system while insulating this unit from immediate, day-to-day concerns. Do you agree with the GAO that this is a problem? What actions have you or will you initiate?

Response: We do not believe that long-range policy planning has been neglected in the Department nor do we agree with the recommendations. Long-range planning, looking forward many years and bridging changes and political leadership, has in fact been carried on in many forms and at many organizational levels in DOT since its founding. All the modal administrations have formal long-range processes for their statutory programs. At the level of intermodal/multimodal policy and plans development, the Office of the Assistant Secretary for Policy and International Affairs has from the beginning been involved in such long-range initiatives as the deregulation of air carrier, motor carrier and air modes, the creation of international air policy, user charge policy, highway and transit financing, automobile industry policy, etc.

The Office of the Assistant Secretary for Policy and International Affairs has been significantly reorganized within the last year to improve its ability to provide both long and short-term policy development support. This reorganization had the effect of greatly simplifying the organization, eliminating some eleven organization entities and concentrating the staff resources in three offices. Under the new reorganization, both long and near-term policy development are conducted within the same organizational context with sufficient staff interaction to assure that both are treated adequately and that the policy analysis work with a more distant time horizon is continually informed by what is going on in the short-run.

Thus, we believe that we have an effective organization to deal with both long and near-term policy development.

NEW FEDERALISM

Senator Andrews: In January 1982, the President announced his "New Federalism" policy. One of its two major components would be a turnback of more than 40 Federal programs, including selected transportation activities, in an effort to sort responsibilities between the States and Federal Government and assign programs and revenue sources to the most appropriate single level of government. Recent reports have indicated that fewer programs would be turned over to States and cities. What is the status of "New Federalism"? Will any such initiative require a revision of the fiscal year 1984 budget?

Response: The President will be transmitting his "New Federalism" proposal to the Congress shortly. I do not anticipate that the proposal will require significant revision of the fiscal year 1984 budget?

(Subsequent to the hearing, on February 24, the President transmitted the "New Federalism" proposal to the Congress. The legislative proposal consists of four block grants, which consolidate 34 programs, with a proposed total fiscal year 1984 funding level of approximately $21 billion. It provides for level funding for each of five fiscal years from 1984 through 1988. The proposal includes four separate bills. A "State Block Grant" would combine 22 health, social services, education, and community development programs in a grant to States involving approximately $11 billion annually. A "Local Block Grant" would combine the General Revenue Sharing program and the entitlement portion of the Community Development Block Grant in a grant to localities, involving approximately $7 billion annually. A "Rural Housing Block Grant" would consolidate four programs for low-income rural housing construction and repairs in a grant to States involving $850 million annually. A "Transportation Block Grant" would consolidate six highway programs, covering urban and secondary systems, bridges other than primary or high-cost, and safety activities, involving some $2.36 billion annually. The proposal would not require significant revision of the Department of Transportation's fiscal year 1984 budget.)

Senator Andrews: Has any decision been made regarding which transportation programs would be turned over to States and cities?

Response: Final decisions on which programs are to be included will be reflected in the proposal when it is transmitted to the Congress shortly.

(Subsequent to the hearing, the President submitted the proposal which consolidated the following transportation programs into a transportation block grant: urban system, secondary system, bridges other than primary or high-cost, highway-related safety grants (FHWA 402 grants), hazard elimination, and rail-highway crossings.)

Senator Andrews: In view of past problems of some States to finance their share of the transportation network, what steps will be taken to assure States of an adequate source of funds for those programs which are to be turned over to them?

Response: The President has made clear his intent that funds will be provided to the States for those programs for which responsibility is to be returned to the States. The States will not lose money as a result of "New Federalism".

(Under the "New Federalism" proposal transmitted to the Congress subsequent to the hearing, States may elect to assume responsibility for the transportation block grant in any of the five years, 1984 to 1988, and those that do will get the same total funding under the block grant that they would have received under the six highway programs, if they had not elected to accept the block grant. Therefore, total Federal funding for these programs will not change unless the States and local communities decide there are higher priority needs on other systems.)

Senator Andrews: Should some States not meet their new responsibilities, would the Government have to bail them out financially to preserve the Nation's transportation network?

Response: No, the transportation programs being considered for inclusion in the "New Federalism" proposal are being considered precisely because they are primarily of State and local interest and have little or no impact on the national transportation system.

(Under the "New Federalism" proposal transmitted to the Congress subsequent to the hearing, States may elect to accept the transportation block grant and those that do will receive the same total Federal highway funds that they would have received if they had not elected the block grant. Also, use of the block grant funds is limited to projects on the Federal-aid highway system. Therefore, States will continue to spend the same amount on the Nation's highways; they will simply have more flexibility to meet the most urgent needs.)

Senator Andrews: How does "regulatory reform" relate to "New Federalism", and how would the traditional roles of the Federal government, States, and cities change as a result?

Response: The President's "New Federalism" proposal will be totally consistent with regulatory reform since its purpose is to reduce the role of the Federal government in those federally funded programs of little or no Federal interest. States and local communities will have greater flexibility in the use of funds for the programs included under New Federalism, and there will generally be a reduction in the administrative burden associated with receipt of those funds.

With regard to programs in which there is a clear Federal interest, there will be no change in the roles of the Federal government, States, and cities. In the case of programs included under New Federalism, the role of the Federal government will diminish while the roles of States and cities, which have the major interest in the programs to be included, will be enhanced. With more flexibility in the use of the funds, they will be better able to ensure that the most urgent needs are met.

UMTA GRANT ADMINISTRATION

Senator Andrews: GAO has repeatedly pointed out opportunities to reduce Federal capital expenditures for mass transit if UMTA would take a more active role in grant administration. For example:

> Based on a review of six capital grants to the Massachusetts Bay Transit Authority, GAO reported that because UMTA did not adequately monitor grants and take appropriate corrective actions, $8 million of Federal funds were spent on items that will achieve only minimal benefits, delays in equipment acquisition could increase costs by $6 million, and if funds expected from third parties are not received the projects may have to be scaled down or further Federal funds requested. (Better Administration of Capital Grants Could Reduce Unnecessary Expenditures on Mass Transit Projects (CED-82-22, 4/20/82)
>
> While UMTA has taken steps to assure that only the most technically sound and meritorious projects receive funding approval, significant changes in conditions may occur between grant approval and the time that construction is substantially underway. GAO has found that in two projects--the Philadelphia Airport High Speed Line and the Queens Trunk Line--conditions have changed so significantly that it is questionable whether these projects are cost-effective means of achieving the original transit objective. UMTA, however, has not taken steps to modify or terminate these projects. (Need to Periodically Reassess Mass Transit Construction Projects (Report to the Administrator, UMTA GAO/RCED-83-82, 12/22/82)
>
> In an ongoing review of WMATA's acquisition of railcars, GAO has found that UMTA's lack of involvement in contract monitoring had contributed to ineffective contract management and provides limited basis for ensuring the timely delivery of quality railcars.

UMTA's response has been that Attachment I of OMB Circular A-102 requires that greater reliance be placed on grantees to manage the day-to-day operations of the grant-supported activities and they, therefore, maintain a policy of limiting Federal involvement in the local decision making process. The GAO agrees that UMTA should not be involved in the day-to-day management of capital projects. UMTA's oversight of the grants from the required site visits, periodic progress reports, and notification of events which have significant impact upon the project, as mandated in Attachment I, should alert UMTA to the type of deficiencies noted in the GAO reports and be the basis of actions to correct the problems and protect the Federal investment in these programs. The GAO does not regard such corrective actions as intervention in the day-to-day management of the grant. While we recognize that OMB Circular A-102 requires reliance on local authorities, do you believe that UMTA's current requirements for quarterly progress reports, site visits, etc., provide the level of information needed for effective oversight of the capital program?

Response: Yes. Current UMTA requirements provide adequate information for effective oversight. We would point out that in addition to the OMB Circular A-102, Attachment I requirements, UMTA obtains information about the grant recipient during the review of specifications, third-party contracts, change orders, requests for force account concurrence, cost allocation plans, budget revisions, land appraisals, audit resolutions, condemnation proceedings, meetings with grantee officials and many other day-to-day activities and contacts.

Senator Andrews: Do you believe UMTA had adequate staff to carryout the level of oversight envisioned by the above requirements? (OMB Circular A-102, Attachment I).

Response: Yes, we do believe that UMTA has adequate staff to carryout the level of oversight required. However, we may not have the level of staff to conduct the type of oversight GAO envisions. UMTA does not believe that such detailed monitoring style is the appropriate interpretation of the Attachment I requirements, nor is it necessary for effective Federal oversight of the capital program.

Senator Andrews: What actions do you believe are appropriate when the routine oversight indicates that the grantee's day-to-day management of the grant is resulting in unnecessary expenditure of Federal money?

Response: In the event that routine oversight of the grant indicates that there are unnecessary Federal expenditures, UMTA has a range of actions from which it can select the appropriate one, based on the circumstances. Such actions include (but are not limited to) negotiations with the grantee in effort to rectify the grantee's practices, the offer of technical assistance to insure that the grantee has the technical capacity to carryout the project, such as reviewing the project in detail and making suggestions in the area of scoping, schedule development and control, monitoring of working progress and suggesting possible alternative control procedures, withholding of payments, termination of the contract, and the potential of UMTA's eventual refusal to make subsequent grants.

Senator Andrews: What steps have you taken to correct the problems cited in the above GAO reports? What steps have you taken to improve the local authorities' day-to-day management activities to prevent similar problems from arising in the future?

Response: We have developed policies which will be published shortly in the Federal Register and are updating our project management guidelines which also will be published shortly. We are developing guidance on the level of effort needed to carryout UMTA's different programs and activities such as building maintenance facilities, developing bus maintenance plans, land acquisition, vehicle and equipment purchases, and grantee project management plans. We are also offering technical capacity to carryout the UMTA programs.

Furthermore, UMTA will be developing new review procedures to carryout the provisions of Section 9(g)(2) of the Federal Public Transportation Act of 1982 which call for a full review and evaluation by UMTA of each grantee's performance and compliance with Federal requirements not less often than once every three years.

NATIONAL AIRSPACE SYSTEM (NAS) PLAN

Senator Andrews: In a GAO report dated April 20, 1982, the NAS Plan was hailed as a "good first step" toward charting the future development of this country's air traffic control and navigation systems. However, serious problems with cost analyses, scheduling and funding were identified. What are your plans to correct those deficiencies?

Response: An indepth cost and schedule analysis was conducted for a major component of the NAS Plan, namely, the Advanced Program. Other programs are continually reviewed and changes in cost and schedule estimates are prepared annually.

The NAS Plan is revised annually as required by the Airport and Airway Improvement Act, and changes are included in the Revised NAS Plan, April 1983.

Budgetary estimates have been revised, consistent with the revised NAS Plan and Fiscal Year 1984 Budget and are being reviewed.

Senator Andrews: How do you respond to the GAO suggestion that the Plan be updated regularly to reflect changes in technology, less optimistic air traffic forecasts and subsequent changes in system requirements? Be specific.

Response: The NAS Plan is revised annually in accordance with the Airport and Airway Improvement Act before the end of each fiscal year. The NAS Plan has been revised for Fiscal Year 1983, and final copies will be available April 1, 1983. The annual revision will include updated air traffic forecasts, and changes in system requirements to reflect the revised forecasts as well as technologies.

ILS vs. MLS

Senator Andrews: The FAA has made a commitment to MLS in spite of an apparent intent by air carrier and general aviation communities to continue with ILS. Do you have data which shows a definite cost advantage to these users?

Response: FAA's commitment to MLS has fully considered both air carrier and general aviation interests. The transition from ILS to MLS has been structured to allow the aviation community 15 years to phase in new avionics equipment in the most cost effective manner. Furthermore, the MLS implementation strategy provides for installation of a series of networks of MLS's which are consistent with the flight patterns of the users and which will maximize the benefits of the users. The phase-out of ILS will also be geared to the level of user avionics equipage at individual airports. The overall cost benefit of the MLS implementation program for the combined air carrier and general aviation community is quite favorable (3.0 to 1.0).

Senator Andrews: What conclusions have you transmitted to the aviation industry?

Response: FAA's draft MLS transition plan which describes the proposed implementation strategy and the cost/benefit study were transmitted to the aviation community in early 1981 for comment. In addition, public hearings were held in four locations -- Los Angeles, Denver, Chicago, and Washington. The results of the aviation industry coordination was reflected in the final transition plan published in July 1981.

LABOR NEGOTIATIONS WITH TECHNICIANS

Senator Andrews: To date no contract has been reached with the Professional Airways Systems Specialists labor organization. What is the current status of those negotiations?

Response: The parties have met on two separate occasions for a total of 3 1/2 weeks. The second session was held under the auspices of a Federal mediator. The negotiations are currently recessed by mutual agreement. Currently pending before the Federal Labor Relations Authority is a union request to review approximately 250 union proposals which the agency believes are outside the obligation to bargain under the Federal Labor Relations Statute.

Senator Andrews: When do you estimate the negotiations will conclude?

Response: Two factors make it virtually impossible to accurately estimate when negotiations will conclude. Neither party has control over when the Federal Labor Relations Authority will issue a decision on the negotiability of the union proposals now under review by the Authority. Additionally, the Professional Airways Systems Specialists has recently been challenged by the Federal Aviation Science and Technological Association/National Association of Government Employees for the right to be the exclusive bargaining agent for Federal Aviation Administration technicians.

Senator Andrews: What are the outstanding issues of disagreement?

Response: Only a few articles have been agreed to at this point. The remaining areas of disagreement, therefore, cover the entire gamut of Federal personnel policies and practices and other working conditions which are subject to bargaining under the labor statute.

QUESTIONS SUBMITTED BY SENATOR KASTEN

U.S. - CANADA TRUCKING

Senator Kasten: Last year Congress passed legislation which ordered a ninety-day moratorium on the processing of Canadian trucking license applications by the Interstate Commerce Commission. Negotiations between the United States Trade Representative and Canadian officials were held and points of agreement were reached. However, while there are some indications the Canadian government may loosen up in granting American trucking companies certificates, the fact is that licenses are not being granted. The simple truth is that the Canadian provinces and the Canadian federal government still have barriers in place, while the ICC is freely granting certificates to Canadian truckers. Could you address the issue and indicate what the Department is currently doing to help American carriers?

Response: The understanding between the United States and Canada commits both sides to:

-- apply motor carrier regulatory policies in a non-discriminatory manner;

-- provide full, fair and equitable opportunities for truckers of both countries to compete for international traffic;

-- favor economic efficiency in government investment policies affecting motor carrier operations;

-- give significant weight to the needs of shippers and consumers as a means of expediting trade through efficient and economical transportation; and

-- establish a consultative mechanism to help resolve problems arising under the understanding and other motor carrier issues.

We have requested representatives of the U.S. trucking industry to provide us with information about Canadian treatment of U.S. motor carriers that may be inconsistent with the terms of this understanding. Cases that are brought to our attention and appear to have merit will be forwarded to the proper Canadian officials with the request that they be reviewed with respect to their conformance to the understanding. To date, we have submitted one such case to the Canadians for review.

The Department is currently planning to host the inaugural session of the U.S. Canada trucking consultative group. The primary purpose of the meeting is to review competitive and regulatory developments on both sides of the border since the lifting of the moratorium. We are cooperating closely with the U.S. motor carrier industry in preparation for the meeting, and intend to follow up on any specific allegations relating to Canadian failure to adhere to the understanding. At this point, however, no such general allegations have been made by the U.S. industry.

TRUCK HEAVY USE TAXES

Senator Kasten: Since Congress passed the Surface Transportation Act last December, we've seen a number of bills introduced in both the House and the Senate which would alter or repeal the heavy vehicle use tax. One of these bills, S. 343 of which I am a co-sponsor, would stretch out and reduce the heavy vehicle use tax. There is considerable amount of support for changing the heavy use tax in the Senate. In fact, an amendment identical to S. 343 passed the lame duck Senate by a 96-1 vote. Will the Administration be proposing any legislation changing the heavy use taxes?

Response: Chairman Dole of the Senate Finance Committee asked us on February 9 to submit a formal report on S. 343, the "Heavy Vehicle Use Tax Adjustment Act of 1983." We will submit our report in the near future.

The Surface Transportation Assistance Act of 1982 requires that DOT report to the Congress on alternatives to the heavy vehicle use tax. We will rely on the results of that study to determine whether to propose changes to the heavy use tax.

PORT USER FEES

Senator Kasten: What role will your Department play in the development of ports user fee legislation?

Response: DOT is actively participating in the development of the Administration's ports user fee legislation. The Army Corps of Engineers has the lead in drafting the legislation and we are working closely with them on the important economic and transportation issues that are involved.

USER FEES FOR GREAT LAKES PORTS

Senator Kasten: I understand the Administration is considering a ports user fee proposal that would levy a uniform fee, seeking 60% cost recovery, for operation and maintenance costs. While a uniform fee is preferable from the Great Lakes standpoint, many Great Lakes organizations have expressed concern about the draft proposal: first, because it would increase the amount of traffic going over land through Canada rather than by ship out of the Lakes ports; and second, because it would fail to integrate the Great Lakes ports fully into the Federal navigation system, since shipping traffic on the Lakes would still have to pay tolls on the Seaway as well as user fees in port. Could you address these concerns?

Response: In light of the low level of the proposed user fees, it is unlikely that these charges would be a prime reason for diversion of U.S. Great Lakes traffic to Canadian railroads.

Most user charge proposals provide for continued seaway tolls, since Canadian traffic uses the seaway and would be given a free ride if tolls were not collected. In addition, Federal Seaway expenditures should be collected from direct users for the same reasons that port user charges should be.

SHIPPING TRAFFIC PATTERNS

Senator Kasten: Will your Department undertake any sort of economic analysis of the impact any port user fee proposals will have on shipping traffic patterns?

Response: Yes, the Department intends to examine this question, and will be sensitive to changes in traffic patterns caused by any port user fees.

INLAND WATERWAYS LEGISLATION

Senator Kasten: Does the Administration plan to propose user fees for the inland waterways this year?

Response: Yes. The Army Corps of Engineers has the lead to prepare legislation. The Department of Transportation is actively involved in the policy decisions that are involved in the legislation.

QUESTIONS SUBMITTED BY SENATOR CHILES

AMTRAK RAIL PASSENGER SERVICE

Senator Chiles: On November 20 of last year, Florida in cooperation with Amtrak initiated new passenger service between Tampa and Miami that makes a round trip during daylight hours each day. As you know, this train operates under the 403(b) program whereby Amtrak and the State share the cost of its operation. There are 403(b) trains in approximately 8 States, and the one in Florida is picking up ridership and popularity by bringing Miami tourists on day trips to Disney World and EPCOT Center near Orlando.

At your confirmation hearing I understand that Senator Packwood suggested it was perhaps a waste of your time to try to cut Amtrak because the Congress just restores the money.

How strongly do you feel with regard to the proposed cuts in Amtrak funding?

Response: The Administration has proposed continuation of the basic national rail passenger system and has proposed a level of operating and capital grants to fund that system. Any route discontinuances to the basic system will be the result of the application of statutory criteria and not the Federal budgetary restrictions.

The Administration has proposed amendments to sections 403(b) and (d) of the Rail Passenger Service Act that would allow Amtrak to operate services requested by States and commuter services only if the States or local government agree to reimburse Amtrak for 100 percent of the losses on these services. We believe that the Federal Government's responsibility for funding Amtrak services should be limited to the basic national system of intercity passenger service.

COAST GUARD LAW ENFORCEMENT

Senator Chiles: Mrs. Secretary, I was pleased to learn that the Administration is proposing to increase Coast Guard law enforcement efforts in 1984 with regard to cutter operating hours and aircraft flight hours. The capital construction program proposed for $379 million is a good deal better than last year's proposal for $19 million. These proposals are welcome news.

As you know, we have a tremendous foreign drug invasion underway in South Florida for many years, and the Coast Guard has played an important role in helping to stem the flow of these drugs. For that reason, I have been concerned for some time that the Coast Guard's equipment is outmoded and out of date and often not a good match for the druggers. The average age of cutters nationwide is approximately 27 years.

Mrs. Secretary, I hope you will give a high priority to the Coast Guard and help to rebuild the Agency's outdated capital plant.

Response: You can be assured, Senator Chiles, that the Coast Guard and the condition of their capital plant are, and will remain, high priority concerns of mine.

With the support of Congress, Coast Guard has taken significant steps in recent years to improve the condition of their capital plant. The FY 1984 Budget continues that progress.

We should recognize, however, that age is not the sole measure of the condition of Coast Guard's fleet. For example, Coast Guard is requesting funds in 1984 to continue the service life extension program for its 180' buoy tenders. These ships, most of them built 40 years ago, are, in the Commandant's own words, still among the finest vessels the Coast Guard ever operated. In this case, we have taken action consistent with his views to support an overhaul program in preference to buying new tenders which would have improved our statistics without necessarily increasing the Coast Guard's effectiveness.

TRANSIT OPERATING ASSISTANCE

Senator Chiles: I am starting to hear from transit authorities in Florida their concern with regard to the Administration's proposal to terminate operating assistance by the end of Fiscal Year 1985. As you know, after two years of hearings and debate, the Congress and the President agreed late last year to enact reductions in operating assistance that would essentially cap operating assistance funds for the largest cities at 80% of the level they had received in 1982. The Administration is now proposing to limit operating assistance for $275 million in urban areas and $18.5 million in rural areas for Fiscal Year 1984 down from national level of almost $900 million in 1983 and to terminate all operating assistance by the end of Fiscal Year 1985. In Miami, for example, we have a new rail system which will start revenue operations later this year. We are starting to hear from transit authorities about your proposed reductions. What can we tell transit authorities not only in Florida but also across the country when they report, "We thought we had worked out an agreement in the Surface Transportation Assistance Act?"

Response: Congress made a significant step toward reducing operating assistance by capping these subsidies at a percentage of FY 1982 funding levels in the STAA. However, the Administration has consistently maintained its intention throughout the legislative process to phase-out operating assistance. The further limits we propose for FY 84 and the phase-out in FY 85 will allow greater Federal funding for transit capital projects. We believe funding these type of projects is the appropriate Federal role and makes the most efficient use of scarce Federal dollars.

SECRETARY DOLE'S PRIORITIES ON SAFETY

Senator Chiles: I understand at your confirmation hearings you expressed your intent to make safety one of your priorities at the Department. I agree with you and also believe we should continue to make strong efforts to reduce highway death and generally make efforts to reduce the risks from drunk drivers. As you know, it has been demonstrated again and again by the National Highway Traffic Safety Administration that greater use of seat belts is the one proven technique for reducing the loss of life on our highways. Last summer the United States Court of Appeals ruled that the Department's decision to terminate the Agency's passive restraint seat belt regulation was "arbitrary and unlawful." As you know, the Department has appealed the Court's rule and it will be in the Supreme Court this summer for arguments. In view of your interest in transportation safety, can we expect the Department to change its position on passive restraint seat belts? Generally, Secretary Dole, what initiatives can we expect from the Department with regard to transportation safety?

Response: There is no doubt that the greater use of seat belts is one of the best techniques for reducing loss of life on the highways. The action by the Department in terminating the passive restraint regulation was on the basis that the passive belts that would have been used to comply with the regulation could not have been safely installed without emergency release mechanism that would have allowed anyone who so desired to drive without them. The crux of the problem was thus not in forcing manufacturers to install passive restraints but in convincing motorists to use them. If we succeed in the latter, then the passive restraint is unnecessary, since every car sold and almost every car on the road now has active seat belts that are at least as effective as the best passive restraint devices; if we cannot convince motorists to use them, the passive belts would be virtually useless.

Coincident with the action to terminate the passive restraint regulation, the National Highway Traffic Safety Administration launched an aggressive campaign to educate motorists on the value of using their safety belts. They are continuing to pursue that campaign and I most wholeheartedly support it. It is my belief that the people involved in transportation can and should take greater responsibility for their own safety and that we must strike a better balance between regulating mechanical devices and improving human behavior.

FURTHER DEREGULATION OF TRUCKING AND MARITIME

Senator Chiles: You were quoted at your confirmation hearing as saying that additional deregulation efforts of the trucking industry and a general reform of maritime policy were matters that you had under consideration. I also noticed in the Economic Report of the President (P. 111) the statement that "the experience to date clearly supports the case for more general deregulation of surface transport."

While I know you haven't had a great deal of time since you came on board as Secretary to consider these matters, what can you tell us of your intentions for further proposals aimed at deregulation?

Response: My understanding is that the reforms which have been enacted in surface transportation in the past few years have been successful in increasing the operating efficiency and flexibility of the rail and trucking industries, to the benefit of carriers, shippers and consumers. While we have not reached final decisions, I expect that we will be sending legislation forward to the Congress in the near future to take further steps toward deregulation of surface transportation.

As for maritime regulatory reform, the Department has been working with the Congress for over a year now on a bill to reform the Federal Government's review and oversight of international shipping activity. Legislation that would implement most of the necessary reforms exists in the form of the Shipping Act of 1983, S. 47.

URBAN DISCRETIONARY GRANTS

Senator Chiles: Mrs. Secretary, as you know, the Section 3 program which previously was funded through this Subcommittee is now funded with contract authority and falls within the jurisdiction of the Senate Committee of Environment and Public Works. Nevertheless, this Subcommittee continues to have a strong interest in the program. As you know, when we provided the appropriations for the program, we directed that the funds be spent in 6 major categories. What plans does the Department have for the allocation of these funds to the various program categories that have existed in the past? What are your plans with regard to providing funding for new starts?

Response: The Discretionary Grants program (Section 3) will provide grants to finance urban transit capital and planning projects. The Planning program will be funded with $50 million of the amount appropriated for Discretionary Grants. The remainder of the appropriation will fund the Capital program.

We plan to direct Discretionary Grants (Capital) program funds to those rail modernization and major bus infrastructure projects that require federal funding beyond that available under the new section 9 Formula Grants program. Actual obligations under the Formula Grants program will vary annually based upon local requirements and plans. Since the Discretionary Grants program will supplement the Formula Grants program, the specific categorical funding levels for the Discretionary Grants program (rail modernization, bus, etc.) will be determined subsequent to a review of annual program of projects required under the Formula Grants program.

The Discretionary Grants program will also be used to complete the construction of cost-effective new projects which are covered by a Letter of Intent or Full Funding Contract.

In addition, Discretionary Grants program funds will be used to pay extraordinary costs for ongoing projects currently under Full Funding Contracts. The Full Funding Contract is UMTA's commitment to participate in multi-year projects. The final cost of a long-term project is subject to escalation as a result of unforeseeable factors over which the grantee has no control.

Cost effective fixed guideway new system projects will also be considered for financing, to the extent that the total program level for Sections 3 and 9 permits.

INCREMENTAL ANALYSIS OF STAA FUNDING

Senator Chiles: Mrs. Secretary, we would like to have an analysis completed of how the incremental net revenues raised by the STAA compare with the outlays that result from the incremental authorizations provided by that Act. This analysis should provide a year-by-year comparison with 1982 as the base year for comparison purposes and traditional spend out rates used for the purpose of calculating outlays. It should cover all the years authorized by the STAA for both revenues and program authorizations. We would like this analysis completed within one week and submitted to the Committee.

Response: Table 1 shows the incremental receipts raised by the STAA. The figures are Treasury Department projections. The pre-STAA projections are based on assumed extension of the Highway Trust Fund (HTF) with no change in the pre-STAA tax provisions.

Table 1. Incremental HTF Receipts
(Dollars in Millions)

	Actual	Estimated					
	82	83	84	85	86	87	88
STAA	6744	8469	11,420	12,076	12,394	12,807	13,094
Pre-STAA	6744	6323	6,631	6,961	7,227	7,521	7,839
Increment	--	2146	4,789	5,115	5,167	5,286	5,255

Table 2 shows the incremental outlays resulting from the increased authorizations provided by the STAA. Pre-STAA outlays are taken from the July 1982 OMB midsession review and represent authorization levels prior to the STAA increases. Both sets of outlay projections are based on traditional spend out rates.

Table 2. Incremental HTF Outlays
(Dollars in Millions)

	Actual	Estimated			
	82	83	84	85	86
STAA	8035	8712	12,368	13,718	14,712
Pre-STAA	8035	8241	8,293	8,472	8,548
Increment	--	471	4,075	5,246	6,164

Table 3 compares incremental receipts to incremental outlays.

Table 3. Comparison of Incremental Receipts
to Incremental Outlays
(Dollars in Millions)

	Actual	Estimated			
	82	83	84	85	86
Receipts	--	2146	4,789	5,115	5,167
Outlays	--	471	4,075	5,246	6,164

Gross incremental receipts exceed incremental outlays in 1983 and 1984; in 1985 and 1986, incremental outlays exceed incremental receipts. To calculate the impact of the increment on the budget deficit, incremental receipts would have to be reduced by 25 percent, which is Treasury's estimate of the proportion of the increased highway user fees which represent a loss of income to the government from other tax sources. With that 25 percent offset, incremental outlays exceed net incremental receipts in every year except 1983.

SUBCOMMITTEE RECESS

Senator **Andrews**. The subcommittee will recess until 2 p.m., Tuesday, February 22.

[Whereupon, at 12 noon, Thursday, February 17, the subcommittee recessed, to reconvene at 2 p.m., Tuesday, February 22.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, FEBRUARY 22, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m. in room SD–124, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Chiles.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

STATEMENT OF RICHARD S. PAGE, GENERAL MANAGER

ACCOMPANIED BY:

- WILLIAM A. BOLEYN, ASSISTANT GENERAL MANAGER FOR FINANCE AND COMPTROLLER
- JOHN S. EGBERT, ASSISTANT GENERAL MANAGER FOR DESIGN AND CONSTRUCTION
- ALINDA C. BURKE, ASSISTANT GENERAL MANAGER FOR PUBLIC SERVICES
- ECKHARD BENNEWITZ, DIRECTOR, OFFICE OF BUDGET AND MANAGEMENT ANALYSIS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Today we have the privilege of hearing from the Metropolitan Area Transit Authority for Washington. Mr. Page is General Manager, of course, and he has been with us before.

I have always had the utmost respect for him. He does a great job down there. I don't know about that last snow storm. I wonder.

We are interested to hear from you and your staff. I understand you have a general statement.

Mr. PAGE. Yes, sir.

Senator ANDREWS. You may summarize it or present it, whatever way you want to do. It will appear in the record in its entirety. Then we will get to questions.

[The statement follows:]

STATEMENT OF RICHARD S. PAGE

It is a pleasure for me to be here today to brief you on our rail construction program and outline our critical funding needs for fiscal year 1984. In addition to my testimony on the Authority's program needs for next year, I would like to update our progress during the past year in providing comprehensive, safe and effective public transportation to the Washington region.

Current Status of the Metrorail System

Subway operations began in March 1976 when a 5-mile segment of the Red Line opened from the Rhode Island Avenue Station to the Farragut North Station. We operated this line only on weekdays from 6:00 a.m. to 8:00 p.m. and carried approximately 30,000 passenger trips each weekday. At that time the Metrobus system was carrying 445,000 daily passenger trips.

From that modest beginning, we have extended the rail system to 39 miles and 44 stations, operating seven days a week, 6:00 a.m. to midnight on Monday through Saturday and 8:00 a.m. to 6:00 p.m. on Sunday. We now run trains from New Carrollton to National Airport, from Addison Road to Ballston, and from Silver Spring to Van Ness - UDC. We operate in three suburban counties and the District of Columbia. We now operate 44 trains every rush hour and carry about 290,000 passenger trips on rail each weekday, nearly a tenfold increase since 1976. This is complemented with a scheduled bus fleet of 1,718 buses carrying 485,000 daily passenger trips, a nine percent increase since 1976.

Our next rail opening scheduled tentatively for this April will provide service from the Gallery Place Station in downtown Washington to the National Airport Station via the southern Potomac River crossing. In December of this year we plan to initiate service into the City of Alexandria and Fairfax County as the Blue Line is extended to Huntington, provided an adequate number of new rail cars are tested and available. Each jurisdiction will then have some subway service.

Efficient Management of Resources

Providing Metrorail to the region has required considerable capital investment. Operating and maintaining properly an expanding system also requires substantial funds. The Board and management are extremely aware of the need to control costs and to be as efficient and as productive as possible. Tight controls are maintained over costs and personnel. Budget savings have been achieved over the past several years which have offset reduced revenues, permitted the funding of reliability programs, and met the costs of unanticipated expenditures such as, claims and enhanced safety programs. Vital Signs, performance measures, and management-by-objective management tools and techniques are used by all levels of management. Additional information systems will be undertaken in FY 1984, especially for a bus management information system and the development of maintenance standards.

My proposed FY 1984 budget reflects the continuing impact of acute cost consciousness and tight budgetary controls. The proposed FY 1984 operating budget total is less than the lower range 1984 planning level presented to the local jurisdictions last fall and for the first time in seven years reverses a declining cost recovery ratio by providing for recovery of at least 46.1 per cent of costs from fares and other revenues compared with a recovery of 45.5 per cent in the current budget.

A. Specific management actions are underway to:

- Hold down the cost of workers' compensation. The FY 1984 Budget continues the use of the management team for administering the claims programs and provides for a $11.5 million level -- less than FY 1983 plus inflation, halting the fast upward cost trend of the past several years.
- Develop new information systems for materials management, rail maintenance, bus and rail scheduling, general maintenance, construction, and finance. A bus maintenance system will start in FY 1984.
- Continue to reduce controllable absenteeism.
- Control bus pay hours by garage through allotments of pay hours to each garage.
- Decentralize regional and divisional accountability and responsibility for bus operations.
- Continue organizational changes in the Department of Design and Construction to reduce costs and obtain greater control by shifting responsibility from general contractor to inhouse staff.
- Continue innovative contracting for diesel fuel.

B. New initiatives are proposed in FY 1984 to:

- Establish extensive rail and bus operational training programs, augmented by enhanced management training programs for middle management and supervisors.
- Increase ridership by strengthening the marketing program.

- Strengthen the medical program to provide for a full-time physician, therapist, and a lower back clinic, all essential to reduce workers' compensation claims.
- Provide creative financing to undertake leveraged leasing on new buses, rehabilitated buses, and rail cars, providing an estimated $1.8 million in increased revenue in FY 1984.
- Reduce fare theft and evasion, with initial savings of at least $1.5 million in FY 1984.
- Increase training programs:

  Technical management training will be a major focus. Rail positions are provided for training. Technical training programs for operators, station attendants, technicians and supervisors will be underway. The bus and rail maintenance work force will receive training to increase their ability to diagnose and correct equipment problems, reduce parts costs, increase productivity, and assure increased equipment availability. Training program services will increase from $.4 million to $1.3 million for outside training. In addition, significant increases occur for in-house training.
- Upgrade analysis of bus route costs and revenues by adding a few additional traffic checkers and funds for selective studies, including the annual bus and rail surveys.

Let me turn now to discuss our rail construction program.

Fiscal Year 1984 Rail Construction Program

In October 1981, the Third Interim Capital Contributions Agreement (ICCA-III) was approved by the local jurisdictions and the WMATA Board to commit local funding for a four-year rail construction program. This agreement pledges local funding for a construction program which is far short of our actual ability to put projects under contract. In an effort to be responsive to reduced federal spending, the Authority has reduced the scope of the FY 1982 and FY 1983 programs by $143 million while still maintaining a balanced, cost effective program of completing operable segments now under construction. This has already resulted in schedule delays and increased costs. In a special effort to get a larger payoff for fewer dollars, we have advanced the construction of two of our Metrorail parking lots in order to make them available as fringe parking lots to enhance public transit until we can complete the necessary full subway construction.

The FY 1984 rail construction program as set forth in the Interim Capital Contributions Agreement is based on a federal appropriation of $375 million authorized under PL96-184. With twenty percent local matching funds, this appropriation will enable the Authority to proceed with $468.8 million of rail construction. The program as approved by the local jurisdictions and the WMATA Board provides for:

- completion of the Vienna Line to revenue operations;
- continuing structural work on the Glenmont Line to Wheaton;
- continuing structural work on the Inner "E" Line up to the Mount Vernon Square/UDC Station;
- initiating construction work on the J/H Springfield/ Franconia Line;
- acquiring real estate on the outer "F" Line; and
- beginning construction on the Greenbelt Line in Prince George's County.

This program will also fund the last portion of the rail car procurement option for an additional 34 rail cars. This will raise the fleet to 592 rail cars. We estimate a total fleet requirement of 720, or a purchase of another 128 cars, for the 101-mile system.

You may recall the commitment of former Secretary of Transportation Drew Lewis to fund completion of about 75 miles of the rail system and a commitment for the balance of the system as the Nation's economy improves. The Authority cannot identify a 75-mile system because of the political and funding commitments on the part of the Authority, local jurisdictions, and previous Administrations of the Federal Government to the entire 101-mile system. However, we have honored Secretary Lewis' commitment over the last two years by making hard choices in our annual program of projects.

In fiscal year 1984, the scope of projects that I have just outlined will initiate work on more than 75 miles of system. I have briefed my Board of Directors on this issue and the Board has reaffirmed its commitment to initiate work on additional sections of the system in FY 1984. Recognizing the recent improvements in the Nation's economy and recognizing the benefits of an increased construction program in reducing unemployment, I am requesting your support in eliminating any idea that Secretary Lewis' notion of "about 75 miles" constitues a limitation on construction work beyond 75 miles. This is inconsistent with the adopted local plan to build, as federal and local resources permit, a 101-mile Metrorail system. This plan has been officially endorsed by previous Administrations. This is consistent with the objectives of the jobs and benefits package endorsed by President Reagan last Wednesday. This will accelerate spending for previously approved federal construction thereby saving money in the long-term and providing much needed jobs in the near term.

I should like now to examine in more detail how we develop our construction program. This is essential so that the Committee can appreciate the consequences of reduced funding in a large transit construction program such as ours.

Our program is a mixture of many activites which make up the total construction effort. These activities are important because they must all be completed before actual construction starts. I am specifically referring to the completion of all planning and design work and all real estate acquisition which must precede actual construction. The art of good programming keeps these activities flowing at an even rate so that actual construction projects can be programmed evenly and without great surges in construction activity and dollars. In addition, we also must program different types of construction projects to keep this balance. For example, if we examine the type of construction in our 1984 proposed program, we find the following:

(1) Inner Green Line and the Red Line to Glenmont are tunnel construction commonly packaged into larger dollar contracts; and

(2) the Yellow Line to Springfield and Green Line to Greenbelt include cut and cover, at-grade and aerial construction.

This type of work can be packaged into smaller contracts.

This contract packaging effort enables us to manage more efficiently and to use our dollars more effectively. The nature of this programming means that dollar reductions in the program will inevitably take from the construction projects because both the large dollar items such as tunnel construction and the last steps in the building pyramid are involved. We have been very successful in balancing our program over the last four years. This has enabled us to make progress toward the completion of the overall system and still place priorities on certain operational segments. For example, high priority has been placed on completing the first sixty miles while continuing progress toward scheduled completion of three additional priority operable segments, the Inner Green Line from Anacostia to "U" Street, the Orange Line from Ballston to Vienna, and a segment of the Red Line from Silver Spring to Wheaton.

This program is a result of the Third Interim Capital Contributions Agreement approved by the jurisdictions and the Board of Directors in October 1981. This Agreement represents a major step forward in completing the 101-mile system and illustrates the firm local commitments and difficult political compromises that have kept this project alive despite the many setbacks and delays.

The Authority's Board of Directors today recommends that Congress support our request to the Administration of $375 million -- the amount contained in our Third Interim Capital Contributions Agreement for FY 1984. The amounts in that agreement, including the $375 million for FY 1984, are substantially below the construction level we are capable of performing and will still delay the completion date of the 101-mile system well into the 1990's.

The Administration's FY 1984 budget proposes a $230 million appropriation from the Stark-Harris legislation (PL96-184). The Administration has informed us that it envisions a $275 million program in FY 1984, comprised of the $230 million Stark-Harris, $25 million from our new Section 9 money provided by the Congress, and $20 million to be provided from some unidentified source in the Department of Transportation. This federal funding, should it materialize, would equate to a $343.8 million program when the local match is applied. This is below our level in FY 1983 and far below what the local governments and we are prepared to accomplish.

We are also concerned over the use of Section 9 funding to meet subway construction needs. This was not the intent of PL96-184, which specifically establishes a separate authorization for funding Metrorail construction. This was not the intent of the Surface Transportation Act of 1982, which established Section 9 as a new "block grant" program permitting local authorities to decide how to use the formula funds. The Administration's budget "suggestion" that $25 million in WMATA's formula funds be committed to subway construction appears to be the all too familiar attitude of "we feds know best." In fact, WMATA has a program of urgently needed projects totalling at least $75 million which must be funded by Section 9.

We also question the notion that another $20 million from an unspecified source will be made available for subway construction. If this does not materialize, then we would be left with only $230 million for subway construction -- and this level would cause major disruption to our program, our schedule, and our costs. Specifically, this would represent a cut of $55 million from FY 1983, or a 20 percent slash in our construction program.

This level would cause delays of at least a year in all three priority operable segments, to Vienna, to Wheaton, and to Anacostia, as well as unforeseen increases in time and money to complete any other segments.

It should be noted that the reduction in the 1982 and 1983 programs has already postponed our four year program. Any additional reductions on top of that would not only cause major delays but make it extremeley difficult to sustain the fragile political coalition of seven local, the District of Columbia and two state governments. This coalition endures because each government has paid large amounts of money already (nearly $1.2 billion) on the promise that all rail segments will be built in a reasonable time. If construction is postponed far into the future, costs will be considerably more, completion will seem unlikely or remote, and the political glue will begin to crack.

Mr. Chairman, we recognize the tough decisions which have to be made to reduce government spending and improve the economy. In fact, we have to make our own tough decisions. However, the Metrorail program, which improves the local economy, has already suffered a series of costly delays. To cut this program and to jeopardize its funding, as the Administration budget suggests, will drastically increase the eventual cost, postpone mobility benefits to the region and the federal government itself, and limit economic return to the local governments and the private sector.

FY 1984 Debt Service Requirements

Included in the Administration's budget is $51.7 million for the Federal Government's share of the WMATA debt service. Under provisions of the National Capital Transportation Act of 1972 (PL92-349) Metro was authorized to sell up to $1.2 billion in taxable revenue bonds which were guaranteed by the Federal Government. It was assumed that the debt service on the bonds -- both principal and interest -- would be covered by system revenues in excess of operating costs. Between October 1972 and January 1975, the Authority sold $997 million worth of bonds in five series.

Subsequent to sale, it was determined that system revenues could not retire the debt. As a consequence, in 1978 the U. S. Department of Transportation and the Authority approved the Initial Bond Repayment Participation Agreement which commits federal and local assistance to help repay the debt, while requiring local jurisdictions to certify that present and future obligations be secured by stable and reliable sources of revenue. This Agreement was subsequently enacted into law in the Stark-Harris legislation of 1980. The $51.7 million federal share contained in the budget will be matched by a combined local commitment totaling $25.8 million in bond interest and $.8 million for installments to the sinking fund.

Status of Stable and Reliable Revenue Sources

The Initial Bond Repayment Participation Agreement and Public Law 96-184 required the Washington region to enact state and/or local measures to insure that revenue sources are available to fund mass transit operating and debt service assistance. This effort was completed this year when the Secretary of Transportation certified on August 13, 1982, that the "... member jurisdictions and Compact signatories have 'stable and reliable' revenue sources in place ..." Certification by the Secretary enables the Authority to utilize construction funds appropriated under PL96-184 and to finalize the Bond Repayment Participation Agreement. Briefly, the adopted legislative actions to establish stable and reliable funding sources provide for the following:

District of Columbia - the City passed D. C. Law 4-164 to earmark funds and establish a Metrorail/Metrobus Account within the General Fund. This account is supported by an earmarking of existing revenues from those sources receiving direct or indirect benefits from mass transit. The earmarked revenues are sufficient to cover 100 percent of operating, debt service and capital needs for mass transit in the District of Columbia.

Maryland

- The State of Maryland enacted H.B. 1736 and H.B. 1745 which provide the State funding sufficient to pay on behalf of Montgomery and Prince George's Counties
  - 100 percent of WMATA's capital costs;
  - 75 percent of WMATA's operating deficit; and
  - 75 percent of the net debt service on WMATA's revenue bonds.
- Montgomery County provides for the balance of its operating and debt service assistance through the levy of a revenue tax on all assessable property earmarked for the County's Special Mass Transit Facilities Fund.
- Prince George's County enacted County Bills 120-1981 and 58-1982 amending the County Code to establish a Mass Transit Special Revenue

Fund and to earmark revenues from the State real property tax grant program in the event that County appropriations fall short of operating and debt service assistance.

Virginia

° The State of Virginia enacted Section 58-703.5, Code of Virginia which levies a two percent sales tax on the retail price of gasoline within the Northern Virginia Transportation District (NVTD). The state provided additional assistance by increasing the biennial appropriation to Northern Virginia to $41.74 million, an increase of $20 million over prior appropriations.

° The Northern Virginia Counties and Cities enacted local ordinances stating their intention to fund WMATA debt service and operating assistance on an annual basis and designating general fund revenues as the source of funding the balance of the WMATA operating and debt service assistance.

I must emphasize the Authority's appreciation for the extraordinary efforts by Federal, State, and Local legislative bodies and staff. In particular, UMTA officials and staff were patient and helpful. Their actions and legislation were creative, thorough, and timely, and further demonstrate the complete commitment of the Washington region to a comprehensive mass transit system.

In closing, the economic vitality of the Washington region is dependent on the success of its transportation network. Metro plays a critical role in fulfilling that success. The Board of Trade, the Federal City Council, and some Congresional Committees have indicated that the existence of the Metrorail system accounts for over $2 billion in new business development. This private investment increases local tax revenues, provides new jobs, and adds ridership for the subway.

With your assistance, we can continue the National Capital region's progress toward the completion of its Metrorail system that provides untold benefits to the seat of the Federal Government and to the citizens of the region.

Again, thank you and your Committee, Mr. Chairman, for your support and assistance.

This concludes my prepared statement. I will be happy to respond to any questions you and the Committee members may have.

INTRODUCTION OF ASSOCIATES

Mr. PAGE. Thank you. I would like to summarize it. It is a pleasure to be before this subcommittee again.

Let me introduce my colleagues. On my far right is Eckhard Bennewitz, Director of the Office of Budget and Management Analysis; then to his left William Boleyn, our Assistant General Manager for Finance and Comptroller; to my left, John Egbert, Assistant General Manager for Design and Construction; and on his left Alinda Burke, Assistant General Manager for Public Services.

STATUS OF THE OPERABLE RAIL SYSTEM

The statement at the beginning tells you the progress we have made in 7 years of revenue operations, from 5 miles and 30,000 trips each day to 39 miles and 44 stations and 290,000 passenger trips each day, nearly a 10-fold increase in the 7 years of rail operation.

As you can see on that map, and perhaps John can point it out, this spring we are tentatively scheduled to open from Gallery Place down to National Airport on the second crossing of the Potomac River.

Later this year, in December, we expect to open the fourth station south of National Airport down to Huntington, provided we have enough new rail cars tested by December. At that point each jurisdiction, including Fairfax County, will then have some subway service in operation.

The next two pages of the statement summarize some of our difficulties in operating this large and growing system and point out to you some of the methods that we are using to control costs.

SUMMARY OF RAIL CONSTRUCTION PROGRAM

I want to concentrate for a couple of minutes on pages 4 to 6 which summarize our planned construction program for fiscal year 1984.

We have adopted a 4-year program for fiscal years 1982 through 1985.

Senator CHILES. You don't have that chart in your prepared statement?

Mr. PAGE. No; that map or this table of the program.

Senator CHILES. I was looking for the map.

Senator ANDREWS. The map is here. It is this beautiful one in multicolors.

Senator CHILES. That is what I was looking for. Thank you.

Mr. PAGE. Because appropriations have not equaled our planned program, we have already had to have some schedule delays and some increased cost from what this adopted local program contemplated.

For fiscal 1984 our locally adopted program assumes a Federal appropriation of $375 million authorized under the Stark-Harris legislation, Public Law 96–184. With 20 percent local matching funds this would give us an annual construction program of $468 million.

Again perhaps Mr. Egbert can go to the map. On page 5 there are six items there that show you the main elements of what this construction program would accomplish at that level of funding:

We would complete the Vienna line from Ballston to Vienna for revenue operation;

We would continue structural work on the Glenmont line to the Wheaton Station;

We would continue structural work on the inner E' line up to Mount Vernon Square/UDC Station;

We would begin for the first-time construction on the J/H Springfield/Franconia section;

We would also begin construction of the Greenbelt line, the outer E route in Prince Georges County; and

Finally we would begin acquiring real estate on the outer segment of the F line.

In addition to those activities, this level of funding in 1984 would also fund the last portion of our railcar procurement for another 34 railcars. This will raise the fleet to 592. We estimate a total fleet requirement of 720 or the purchase of another 128 cars for the 101-mile system.

STATUS OF THE 75 MILES OF RAIL SYSTEM

You may recall former Secretary of Transportation Drew Lewis' statement about funding about 75 miles of the rail system and a commitment for the balance of the system as the Nation's economy improves.

Frankly, we are not sure what a 75-mile system is and we have not tried to publicly identify one because of the political and funding commitments on the part of the Authority, local governments, and approvals of previous administrations of the Federal Government to the entire system.

We have honored Secretary Lewis' concept over the last 2 years by making choices in our program of projects and we have given priority in our spending to three operable segments, the Vienna line on the left, the Wheaton segment north of Silver Spring, and the inner E route.

When those three segments are brought into operation in addition to what we now operate plus, as I mentioned at the outset, the segments to Huntington and going out to the outer A route to Shady Grove, when all of that is brought into operation in 3 years we would then be operating 76.3 miles of revenue service.

Senator ANDREWS. When are you going to go out to Shady Grove? Isn't that track about done?

Mr. PAGE. It is done. We are running test trains, Mr. Chairman, and our present plan is to open revenue service in late 1984. We would do it sooner if we could get sufficient railcars faster.

Senator ANDREWS. So, you are waiting 1½ years for that mammoth investment in track while the railcars haven't come?

Mr. PAGE. It is about a 1-year delay. We would spend 6 to 8 months, most of the rest of this year, testing all those stations and all that track.

DELAYS IN RAILCAR DELIVERIES

Senator ANDREWS. That is true, but the taxpayers have invested in that type of structure and you are telling us that you are going to lose a year's use of it because someone forgot to order the cars on time or not fast enough?

Mr. PAGE. Because there were two costly delays amounting to 24 months in the delivery of those cars, both unavoidable delays.

One occurred in a manufacturing plant in Europe and the other was a strike at the Westinghouse Air Brake facility in Pittsburgh.

Senator ANDREWS. I thought a year or so ago you were telling us that they had taken place, but essentially they were getting back on track, you were getting back to a sensible schedule on that car procurement.

Mr. PAGE. We have never recovered from the 8-month strike in Pittsburgh which occurred from November 1981 to May 1982. It occurred literally days before the first brake sets were to be delivered from Pittsburgh to Italy. That has delayed the entire shipment of any cars.

Now we will begin receiving cars this April and we will receive as many as 94 cars between April 1983 and June 1984, but those cars will be committed to the Huntington line and to the system now in operation.

We will not have enough cars to open full service to Shady Grove until the fall of 1984 unless something good happens and shipments start coming faster.

OPTIONS INVESTIGATED DURING WESTINGHOUSE STRIKE

Senator ANDREWS. Have you looked at any other options for getting cars?

Mr. PAGE. We have, Mr. Chairman. We looked hard and carefully during that strike. Every option looked as if it would cost more and take longer, the reason being that we had already committed funds and time to design the brake sets from Westinghouse Air Brake, so we couldn't make up that time by shifting to another manufacturer.

Senator ANDREWS. What is the liability of the manufacturing company when they don't perform? Wasn't there a certain date in the performance part of the contract?

Mr. PAGE. Subject to excusable delays, and I think a strike is an excusable delay. Maybe Mr. Egbert wants to comment.

Mr. EGBERT. In specific answer to that, Mr. Chairman, there is a provision in the contract for liquidated damages if they don't deliver, assuming that delay is not an excusable delay.

The terms of the Breda contract have not been fully analyzed. However, under the terms of most contracts a strike is normally considered to be an excusable delay.

Senator ANDREWS. You are talking about a 1-year delay in using a system, you are talking about $150, $200, or $300 million.

Mr. PAGE. It has happened on other segments, too. That is not really an answer to the question.

Senator ANDREWS. I know it is not an answer to the question. When you lose that time of usage, in effect you are costing the commuters of the Washington area some $15 to $20 million.

The thing I am wondering about is, how diligent have you been in seeking answers from the Justice Department as to what type of action you could take against a supplier? Were they dilatory, sitting back and not trying to resolve that strike?

Would they have been faster in resolving the strike if they had known that there would be some penalties or did they relax more, knowing you were going to be a bunch of patsies?

Mr. PAGE. We think we did everything we knew to do. We consulted the Justice Department as well as our own attorney; we analyzed all our options and presented our analysis to our board of directors; and we were in constant touch with Westinghouse. A number of other corporations were also concerned, because the strike was holding up delivery of brake sets to New York, Baltimore, Philadelphia, Washington, and Miami as well as to some of the private railroads. So that strike was damaging to many public and private operating railroads.

While the strike was occurring in Pittsburgh, the Italian prime contractor, Breda Costruzioni Ferroviarie, S.P.A., was proceeding to do as much work as it could, short of assembling the cars in Italy which required the brakes. They had equipment strewn about the assembly floor, doing as much as they could while they were waiting for these shipments. In effect, the strike cost Breda substantial sums of money which must have provided Breda with sufficient incentive to end the strike.

The brake shipments began last fall. We expect to have the first two prototype cars here within 60 days. In 4 months Breda will be shipping two cars each week to the Amtrak assembly plant in Indiana.

Senator ANDREWS. Are these a different set of cars from the original ones you got for Metrorail?

Mr. PAGE. Yes, sir, we ordered 300 originally and they were delivered by the Rohr Company back in 1975 or so.

Senator ANDREWS. So, this is now the second group?

Mr. PAGE. Yes.

Senator ANDREWS. A different contractor?

Mr. PAGE. Yes, sir, Rohr no longer makes subway cars.

Senator ANDREWS. I do not have the testimony in front of me, but I understand in response to my questions last year you had said, because the contractor was continuing to build the other parts of the cars, that when the brake equipment finally got there we wouldn't lose as much net time, because everything else would be ready and they would put it together swiftly and we would gain back much of that delay.

Now it appears we are still going to have that 1-year delay, which is considerable.

Mr. EGBERT. Mr. Chairman, when we were here 1 year ago the strike was on at that time and we were optimistic, at least at the time we were testifying, that progress was being made to settle it.

Senator ANDREWS. As I remember from back then, they were optimistic that they would continue to manufacture the other parts of the cars and the brakes would get there and everything would be put together rapidly.

Mr. PAGE. We did not think the strike would last much longer. But the strike did continue and our schedule was impacted by it.

Senator ANDREWS. That is why I am interested in finding out what kind of pressure you put on them by moving around, expending whatever legal alternatives you had so that you would have gotten the word.

Mr. PAGE. There were visits and communications and threats and investigations of alternatives.

JUSTIFICATION FOR PROCEEDING BEYOND 75 MILES

At the bottom of page 5, continuing from my statement, the scope of projects that I mentioned will initiate work on more than 75 miles of the Metrorail system. The board of directors has recently reaffirmed its commitment to initiate work on additional sections of the system. The board and the staff are obviously committed to building the full 101-mile system.

Recognizing the improvements in the Nation's economy and recognizing the benefits of this program, I hope your subcommittee can help us eliminate any idea that Secretary Lewis' notion of "about 75 miles" would constitute a limitation on construction work beyond 75 miles. That notion is inconsistent with the adopted local plan to build the 101-mile system as Federal and local resources permit.

This plan has been officially endorsed by previous administrations. It is consistent with the objectives of the jobs and benefits package endorsed by President Reagan and it will accelerate spending for previously approved Federal construction, saving money in the long term and providing jobs in the near term.

Pages 6 and 7 describe how we put together our construction package and indicate the differing types of projects.

I would like to concentrate next for a moment on pages 7 and 8 and then I will be finished with my prepared remarks.

FUNDING NEEDED FOR FISCAL YEAR 1984 CONSTRUCTION

As I indicated, our board is recommending that Congress support our request to the administration of $375 million. The amounts in that are substantially below the construction level we are capable of performing. It will still delay the completion date of the 101-mile system well into the nineties.

I should like at this point to put up another chart, and you should have a typed copy in front of you, that explains the paragraph at the top of page 8.

FUNDING LEVELS IN THE ADMINISTRATION BUDGET

The administration's fiscal 1984 budget proposes a $230 million appropriation from the Stark-Harris legislation. Let me first explain.

The left-hand column is fiscal 1983. We have received $240 million from Stark-Harris, $45 million from interstate transfer, $46 million in a combination of section 3 and section 5 under the old nomenclature, and $19½ million in operating subsidies, total Federal of $351 million, plus local match, for a total annual program of $431 million.

What is in the President's budget is in the middle column: $230 million in Stark-Harris funding; no interstate transfer funds; $24 million in bus and rail equipment out of the new block grant, section 9; plus the administration is suggesting to us that we take another $25 million out of the block grant and spend it on subway construction. They are allotting $6 million as our share of the national formula for operating assistance. Then they are telling us that there would be another $20 million provided from some other unidentified source for the rail construction program.

Senator ANDREWS. Do you have some magic wand that you can share with us as to where that wonderful thing is going to come from?

Mr. PAGE. I thought maybe you knew, Mr. Chairman.

Senator ANDREWS. No one has told us. We keep getting these requests that come up, and you serve as a spokesman, so to speak, for the administration, but given what Mr. Stockman was just telling our committee in another room earlier this morning about the tightness of money, suddenly out of the wings comes this $20 million from other sources, ostensibly approved by the great budget wizard, but they don't tell us where we are going to find it.

Mr. PAGE. The only thing I can add is this. Apparently they made an internal decision that our authority would be eligible for $275 million for subway construction. They are making it up by taking $230 million plus $25 million out of the block grant, plus $20 million.

My text at the top of page 8 has a typographical error. It says "from some other identified source." It should say "unidentified source." We have that in a phone call.

Senator ANDREWS. That is what I am talking about.

Have you ever had the experience of sending your wife on a shopping trip? Would you tell her to, "Go down, Honey, and spend $5,000 at the department store," if you knew there was only about $5,000 in your account?

Mr. PAGE. I would tell her to use the unidentified source.

Senator ANDREWS. You would get by just about as well as we are going to be able to help you out on this kind of unidentified source unless we get a better handle on it.

Mr. PAGE. The third column, Mr. Chairman, simply repeats in simple numbers what we are recommending, $375 million for subway construction out of Stark-Harris.

Senator ANDREWS. You think just about as much about that unidentified source as I do. You did not even put anything down on that line.

Mr. PAGE. I don't know what it is.

Senator ANDREWS. Don't you believe in magic? Are we going to do it with mirrors?

. Mr. PAGE. This Authority has been held together by lots of different things, including a little bit of magic, over the last 20 years, but this is a new one to us.

We are hoping for $19½ million in operating assistance, which is part of a national formula and that would give us a total Federal program of $454 million.

Senator ANDREWS. Really the big change you have over the administration, other than the fact that I think you are a little honest about the fact that you can't find it where it isn't, you come out and candidly say $145 million more under Stark-Harris.

SHORTFALL IN STARK-HARRIS AUTHORITY

Now, if we take $145 million more of the authorization under Stark-Harris, are we going to have to have another authorization for Stark-Harris? Won't we be using that up before you get anywhere near completion?

Mr. PAGE. It is possible, Mr. Chairman.

Senator ANDREWS. Not only possible, it is highly probable, isn't it?

Mr. PAGE. Yes; the authorization is $1.7 billion. The first drawdown was the $240 million in fiscal 1983. Clearly at that level of $375 million we have 4 more years to utilize that authorization.

So, it is not an urgent matter, but we believe that we would need some additional authorization a few years from now in order to complete the 101-mile system.

REMAINING INTERSTATE TRANSFER ENTITLEMENTS

Senator ANDREWS. Neither your budget nor the President's budget seem to include any assumption for rail construction funding coming out of interstate transfer funds.

Don't we have money for the Washington area that is available in this category? What type of residual entitlements are there or will be by the September 30 deadline?

Mr. PAGE. We have some new information, Mr. Chairman, and I will ask Mr. Boleyn to comment on it in more detail.

It appears to be perhaps as much as $55 million in entitlements that could be made available to this region if it were included in the appropriations process.

Mr. BOLEYN. Mr. Chairman, the law was amended to provide a floor on the adjustment of highway transfers because of the economy's movement up and down. That floor, established as of June 30, 1980, meant that additional funds would be available to us over and above those that we had been permitted to use out of highway entitlements. Otherwise, those funds were exhausted.

That additional amount, and I should insert here that the Federal Highway Administration is still reviewing that provision of law and computing what it means, could provide to the authority another $55 million in highway entitlements.

However, that amount or any additional amount for us would require the appropriation of those funds. It is our understanding that the present budget has $380 million in highway entitlements and none of those were intended for WMATA, because our entitlements coming out of Virginia, Maryland, and the District of Columbia have been exhausted.

This would give us another $55 million, but it would require an appropriation to make it available.

Senator ANDREWS. It always does when you talk about interstate transfer funds. In fact, interstate transfer funds get to be sticky things.

The State of Illinois always feels they should have some, even the State of Oregon where our chairman resides. I am in the only group that didn't have interstate transfer funds available, so I can be totally unbiased.

You will recall I put some into Washington and caught a little flack from some of my colleagues. I thought since I did not have any need in North Dakota, somebody had better represent the District of Columbia.

Mr. PAGE. I would like to emphasize a couple more things on page 8.

USE OF SECTION 9 FUNDS

We are concerned over the use of the $25 million in the middle column there, using section 9 funding to meet subway construction needs. This was not the intent of the Stark-Harris law which established a separate authorization. Nor was it the intent of the Surface Transportation Act of 1982 which established section 9 as a new block grant program permitting local authorities to decide how to use formula funds.

The administration's budget suggests that $25 million from our formula funds be committed to subway construction. This appears to be the all too familiar attitude of "We Feds know best."

In fact, we have a program of other urgently needed projects in the bus and rail equipment area, totaling at least $75 million which we hope will be funded by the section 9 program.

Senator ANDREWS. I see you have neatly transferred it out of rail construction into bus and rail equipment capital.

Mr. PAGE. $59.5 million is the number that we took out of the formulas that were published and distributed back in December when the administration was selling its nickel gas tax.

Senator ANDREWS. That is right and you made your point very clear, because you took your $25 million out of rail construction and slipped it into bus and rail equipment capital in order to make the figures look a little bit better. You have done a little magic, yourself, on those figures.

I am pleased with your great talent and can understand the logic of your argument.

IMPACT OF REDUCED ANNUAL FUNDING

Mr. PAGE. We also questioned the notion, as you have, that another $20 million from an unspecified source would be made available.

Senator ANDREWS. That is not a notion I have. I question it as much as you do.

Mr. PAGE. If this does not materialize, we will be left with only the $230 million for subway construction and this level would cause an even more severe disruption to our program, our schedule, and our costs.

Specifically, this would represent a cut of $55 million from fiscal year 1983, or nearly a 20-percent slash in our construction program. At this level we would have delays of at least 1 year in all three of the priority segments that I talked about earlier—Vienna, Wheaton, and Anacostia—as well as incalculable increases in time and money to complete any other segments.

Senator ANDREWS. What is your estimate then for rail system completion of the 76-mile system if funding is held below this $375 million level?

Mr. PAGE. If it is at the $230 million level, Mr. Chairman, we don't think we would complete Vienna until 1987 and the inner E line and Wheaton until 1989 and 1990.

In other words, 1 or 2 years beyond the published dates that we have for those lines right now.

Senator ANDREWS. Have you revised your cost to complete, in view of the levels of inflation that are well below the 8 percent shown on the documents provided the committee last year and in view of the reduced fuel cost?

Mr. PAGE. We have not made an official update of our cost to complete for the past couple years.

Senator ANDREWS. Wouldn't that give you a little more leeway?

Mr. PAGE. It might for the other segments, but probably not for these three priority segments, because we have looked at those three pretty carefully in terms of what $230 million would do.

OPERATIONS DURING FEBRUARY SNOWSTORM

Senator ANDREWS. We have talked so far about what you might do for the money we might give you next year or might be able to find for you next year, but a number of us are wondering what you are doing with the money you already have and the equipment and trackage you already have.

It seems to me every time we have a big snowfall Metro seems to be out of service at the very time the public needs it most.

One of the big things in building Metro, and I remember when I served in the House, Bill Natcher and I were close friends, Bill told me all those things were going to happen if we had a Metrorail system. Some of the things that happened have been very good. Some of them have come down ontrack with Bill's predictions when he was chairman of the D.C. subcommittee, as you know.

The thing I am wondering about is if cities with colder climates than Washington can offer dependable services through the winter, why can't we? Most of this line is underground. You don't get above ground.

If we can run those trains on tracks in North Dakota when it gets to 35 below zero with a wind chill factor of 100 below zero, and drifts a heck of a lot deeper than seen around here, why can't we do it around here?

Mr. PAGE. I think the answer is the same answer that I would apply to moving automobiles in Syracuse and Buffalo. They are able to do it in much heavier snowstorms than we are because the local authorities are prepared for severe winters.

We were not prepared in 1979. We made some mistakes. We were much better prepared this year, but we still weren't prepared with enough snow removal equipment and track-heating equipment to keep the track clear of snow and the switches free of ice.

To be fully prepared for the kind of sudden heavy snowfall that hit this region in those 24 hours would require considerably more money and more equipment.

Senator ANDREWS. Why don't you just plow it off like they do in Schenectady, N.Y.?

Mr. PAGE. They do that on the roads, but on the rail system we have to have special equipment and we got stuck, because the packed snow and ice started freezing on the third rail under the cover.

NEED SPECIAL EQUIPMENT

You have to have special equipment to do that. Some transit authorities, like Boston, which experience heavier winters, have special equipment to do that. We don't.

Senator ANDREWS. The old gadget goes down the track and takes that snow off.

Mr. PAGE. It is more than a little gadget, but we simply don't have it. We did buy some equipment, nearly 1 million dollars' worth of special equipment, after the 1979 snowfall. That was going to prepare us for the worst snowfall every 35 years.

Well, we got hit with a worse snowfall than that 10 days ago.

Senator ANDREWS. Fortunately I was out in North Dakota where we do know what to do with snow, so I did not have to live with that snow here.

You know, you don't have to be an engineering genius to come up with a way to make trains run in the winter. I would think if you have some kind of problem with the third rail that has to be cleaned out, the practical way of going at it would be to turn off the power and run yourself a diesel car that cleans the thing down in front or some such thing.

I am not a transit engineer, but there has to be a way of doing it better than we have done it.

The thing that galls me is that Amtrak is making proud signs all over this place about how they kept the trains running on the Northeast corridor. They ran the people right into Union Station and you stopped all the Metro trains back where?

You went as far as Judiciary Square. That is the station I am thinking about. Then you let all the people who came in on Amtrak fend for themselves. Yet from Judiciary Square to that Amtrak station, Union Station, it is underground.

Now, is there some magic that snow comes through the ceilings of your underground tunnels and louses up your third rail so you could not get those trains over to Union Station to pick up the people that Amtrak was servicing so well?

Mr. PAGE. That is a good point, Mr. Chairman, and I don't know the answer to that today.

Senator ANDREWS. If you don't know the answer, who does?

Ms. BURKE. It has to do with the crossovers and the turning around of the equipment. It is a structural problem of the system that didn't allow it to run that far out to Union Station.

We can provide you with more details.

Senator ANDREWS. I wish you would because we have invested tens of millions of dollars in a system that is supposed to be foolproof.

You made the point you get a lot of snow under the canopy over the third rail so that it won't work outside. I know the difference between inside and outside, but this is all inside. You would think an underground Metro system, if Amtrak can make those darn trains run on top in the snow and everything else because they have a bunch of railroaders running——

Mr. PAGE. They don't have third-rail power.

Senator ANDREWS. They have the power deal on top, but there has to be some adaptable way—then you ought to be able to make your sheltered train mileage work. That is my point.

I don't know how you do it, but there has to be some way of doing it better than you have done. Every time we have a snowstorm we have another whole batch of excuses.

Mr. Page. Every time we have a 22-inch snowstorm we get stopped. New York and Boston subway systems were also shutdown over that week. The three airports in this region were also closed for 30 hours.

Senator ANDREWS. But those airports had to work out in the weather. You were snug and cuddled down underground.

Mr. PAGE. In part. We are obviously concerned about it. We are going to look at what additional equipment we need. We will get you a written explanation as to why we didn't get to Union Station.

Senator ANDREWS. If you can find out why that trackage between Judiciary Square and Union Station was so messed up that you could not at least get to where Amtrak was delivering passengers even though it was all underground, that would be great.

[The information follows:]

WHY UNION STATION WAS NOT SERVICED

Mr. Chairman, you are correct in your understandings—Union Station is underground and was not serviced on Sunday although we did provide service to Union Station starting at 6 a.m. on Monday.

There are two reasons why Union Station was not serviced on Sunday. First, in order to store our rail cars underground until the blizzard was over and until we were able to gain access to our service, inspection, and maintenance yards, we selected the location nearest to our Brentwood maintenance yard to store a substantial number of cars. These stored cars blocked completely our track at Union Station. These cars could not be moved until late Sunday when we had cleared out to the Brentwood yard and cleared the yard itself.

The second reason is that in order to provide continuous service we need the ability to reverse trains through a crossover. The crossover that would enable us to service Union Station is in an aboveground section outbound of Union Station and was unusable because of ice and snow.

These two reasons, taken together, forced us to establish Judiciary Square at the temporary terminal on Sunday and precluded us from providing service to Union Station.

CORRECTION TO MR. PAGE'S PREPARED STATEMENT

Mr. PAGE. One more correction to this statement. On page 9, the first paragraph talks about the fragile political coalition and the payments that have been made by this coalition endures, because each government has paid large amounts of money already, it says nearly $400 million.

I would like you to change that to nearly $1.2 billion including internally generated funds. That is about $875 million in payments from the local governments and $325 million in internally generated funds, the money we make by investing funds, for a total of $1.2 billion.

Senator ANDREWS. We will make that correction.

ESCALATORS AT UNION STATION

Then looking a little bit more at Union Station, this morning the escalators didn't work. It is the first workday of the week, I understand, for a lot of people.

Is that because it was so warm over that 3-day weekend that something desperate happened to those escalators?

Ms. BURKE. Some we manage and some we don't.

Senator ANDREWS. The escalators are the ones people have to take when they take the train to Union Station, they walk over to their jobs on the Senate side of the Hill. I understand those escalators weren't working this morning. They seem to have the same kind of problem most every Monday morning.

Maybe because they get tired over the weekend or something happens. Maybe it was too warm for them. Look into that and find out what happened. I would enjoy any kind of answer you can give us.

[The information follows:]

ESCALATOR FAILURES

A fire alarm was activated on the escalator on Sunday, February 20, which required the power to be shut off to the escalator. The contractor responded on February 22, repaired the problem and restored power late in the morning. The contractor does not normally respond to routine trouble calls during weekends and holidays. The only other recent escalator failure on a Monday was on February 14. Units Nos. 1 and 3 both failed late in the afternoon February 14 for unrelated reasons. Both were restored to service by midmorning on February 15.

REDUCED FEDERAL OPERATING ASSISTANCE

Senator ANDREWS. Have you found out what impact the administration's decision to cut operating assistance will have on WMATA in fiscal 1984?

Mr. PAGE. That is a pretty serious reduction, from $19.5 million which we have assumed in our budget for 1984, to $6 million. That is clearly a $13 million reduction and we don't know where we will find that.

Maybe we can call on that magical unidentified source again, Mr. Chairman. But that simply has to be a combination of cutting service, raising fares, or increasing the cost to the local governments.

The Federal operating aid is about 7 or 8 percent of our total revenues. So, it is a small proportion, but a critical portion. We just delivered to the board a budget for our fiscal year beginning July 1 and it assumes what the Surface Transportation Act had authorized, which was continuation of the fiscal year 1982 level in fiscal 1983.

Senator ANDREWS. Does your budget assume an end to operating assistance by 1985?

Mr. PAGE. No; it does not. We have had that in previous forecasts and we took it out based on the passage of the Surface Transportation Act where we thought that Congress had made a decision—I don't know how long that decision will last. We thought it was a new decision by the Congress to continue through the block grant program some level of operating assistance rather than phase it out as the administration has consistently advocated.

Senator ANDREWS. Didn't the Secretary's August finding regarding stable and reliable sources address the outyears when Federal support is scheduled to end?

Mr. PAGE. That he did and, in fact, local governments have put in writing and into law their commitment to provide stable and reliable revenue sources to cover future operating costs. In many jurisdictions this commitment includes ordinances that pledge general fund revenues, if needed. A $13 million reduction in Federal operating assistance will seriously increase the burden on local general fund revenues.

LABOR CONTRACT

Senator ANDREWS. As I understand it, your labor contract expires on April 30?

Mr. PAGE. Yes, sir.

Senator ANDREWS. How many employees are covered by your labor contract?

Mr. PAGE. 5,700, all of our rail operators, most of the bus operators and maintenance workers, and some clerks belong to Local 689 of the Amalgamated Transit Union.

Senator ANDREWS. Do you expect to go to binding arbitration?

Mr. PAGE. Our goal and our objective and our intention is to negotiate a contract by April 30.

Senator ANDREWS. Are you optimistic that management can achieve some progress in the area of cost-of-living adjustment, part-time operators, and other cost provisions?

Mr. PAGE. I am always optimistic, Mr. Chairman.

Senator ANDREWS. Are your operating costs predicated on the existing labor contract or contract estimate?

Mr. PAGE. They assume the current contract, so that any savings we are able to make by negotiation and/or arbitration, if it came to that, would help our operating costs.

Senator ANDREWS. That would ease the impact of the operating assistance cut in the budget?

Mr. PAGE. Yes, sir.

FEBRUARY 1983 SNOWSTORM

Senator ANDREWS. Getting back to that blizzard, not to just haggle you on it, but not only the Metrorail problem, but the buses, everything seemed to be nonexistent during that storm, as I was told. It reminds us once again of the dangers posed when a metropolitan area and the major employer don't cooperate to move commuters sensibly.

Isn't there any hope that the Council of Governments could work out a plan with you and your responsibilities, the Highway Authority and the Office of Personnel Management to handle storm emergencies better?

It seems idiotic to do it the way you have been doing it.

Mr. PAGE. That is a good suggestion. I think that the Council of Governments is working on an emergency transportation plan to deal with either an accident or a sudden snowfall or some natural disaster.

You are right, it is all ad hoc right now and it is a series of frantic phone calls trying to get hold of the right people. People can make unfortunate decisions on the spur of the moment—like the OMB decision Friday morning to tell everybody to come to work and then dismiss personnel 3 hours later in the heavy snow.

That obviously reminded us of what we felt was a bad decision back on January 13, 1982, when all personnel were released early, without our concurrence, and they filled the subway.

Senator ANDREWS. You know, in North Dakota it is not a blizzard unless you have 6-foot drifts. Sometimes you go out there and you get stuck in that stuff. We never have a time when 2 days after the storm we are not out and moving full tilt.

It just boggles the mind to see what you do down here. I stood outside of my apartment and I looked at three—count them, three—twin tandem axle trucks you rent from some contractor. They put a snowplow on the front end and they stood there spinning their wheels.

Bob Straus and I spent one delightful morning during the storm of 1979 watching that. Back in North Dakota you would have put some gravel or sand, or snow even, in the dump body of that truck so that you had a little traction, so the wheels wouldn't spin, or you put chains on the tires.

Here we were paying these people for the three trucks to sit and spin. Three hours later the same three trucks had not moved. Five will get you ten the taxpayers were paying 80 to 90 bucks' rent for those trucks. That is crazy.

The things that we do, you sure ought to be able to do in Washington. It does not take many brains, but a little bit of commonsense.

There is no way you can leave a car or anything else on what we call arterial streets, period. We make some fines and we push them off and you end up with them over the curb, wherever they can be, and people learn. That keeps your arterials open, because the first night after the storm no parking is allowed on north-south streets. The snowplows run up the north-south streets.

The second day after the storm absolutely no cars are left on the east-west streets. All the streets are cleaned. The snowplows whistle along and ~~everything is fine.~~

It doesn't take much for the guy in the neighborhood to move his car around the corner. If he knows he is going to get the thing shoved up on the curb with a dent in the fender or towed away at a $75 or $100 fee, it is amazing how he can get his wife and kids and neighbors out there to shovel so that he can get it around the corner, if that is where it has to be the first night.

Why can't we do that in Washington?

Mr. PAGE. We are not well prepared, as I mentioned earlier.

Senator ANDREWS. It is just a matter of what you do after the storm hits.

Mr. PAGE. And we are not very smart, we don't have that much experience.

BUSES UNABLE TO MOVE

Ms. BURKE. In fact, the buses that we would have put on the streets were prepared to be on the streets. To the extent the streets were clear, we had buses.

I think you are right, we wish the streets had been clear also, because then our buses would not have been caught in the grid lock that occurred in this city. We were happy to say we could have put a lot more buses out had the streets been cleared.

We have also talked with some of the regional transportation departments in the various cities about the need to get together and come up with a snow removal plan and perhaps the one you are talking about is something that they should consider.

That plan would include priority for buses. We are asking them to consider giving priority to our buses on the street. Even if we get the buses out, we have to be able to move them through the traffic.

Senator ANDREWS. I am not here railing at Washington. It is a great host city for the Government and it is a privilege to live here, I feel, but the thing that concerns me is that if you keep going with these idiotic rules and regulations in a blizzard, you are going to spend millions of dollars in downtime, in lost revenue, and all the rest, that could be applied toward this operating subsidy or could be applied to a number of other things.

I don't know how much money you lost because of the idiotic tactics of the last week's episode where the snow removal system is fantastic, 5 days of 55 degree weather is our snow removal system.

I bet you that it cost you $8 to $10 million in the monkey business that you got involved in in that one snowstorm.

Mr. PAGE. We don't know, Mr. Chairman.

Senator ANDREWS. Is that a roundhouse figure?

Mr. PAGE. That is probably too high.

Senator ANDREWS. Fine. But it cost you a considerable amount of money?

Mr. PAGE. Yes.

Senator ANDREWS. That would have been applied to that operating subsidy, would have been applied to better service, or to a whale of a lot of other things.

The people not only pay by being inconvenienced, but they pay again in the lack of money that they have to do the things that should be done to maintain these systems on a sensible basis.

Mr. PAGE. And it hurts the public. We are sorry.

When I said we are not prepared, I meant we, the local governments in the region, are not prepared with the kind of snow removal equipment to clear the road. I guess we don't have those techniques that you are experienced with in North Dakota.

Senator ANDREWS. You know, we even do things like putting old wheels on the front end of buses that look kind of like push deals. If a bus comes and finds a car in the street, that bus can move the car better and faster than almost anything. It is amazing how we move those cars out and it works.

Mr. PAGE. Minneapolis gets a lot of snow. They have an excellent transit system. They are also prepared to put chains on every bus overnight. We don't have the chains.

Senator ANDREWS. You don't have to have the chains with the kind of snow you have down here. All you have to do is have somebody get the mess off the streets and run some plows that have some ballast in the back end.

Mr. PAGE. We hired private tow trucks to help rescue some of our buses to get them back in the garage rather than continue to block lanes of traffic. We put them out to service and they got blocked. We couldn't move.

We hired private tow trucks in addition to our own to rescue them and get them back to the garage in the hope that later the roads would be sufficiently cleared to send buses out.

Senator ANDREWS. I have driven a lot of heavy farm equipment in my day. This is just an observation, 5 will get you 10 you and I could take a couple buses out and we could drive anyplace in this town in an 18-inch snowfall provided there is not somebody else blocking the track where we want to go. The buses can get through.

Mr. PAGE. Yes, sir, they are easy to drive, too.

SUBMITTED QUESTIONS

Senator ANDREWS. You have a neat Allison transmission on that and those buses will go through a whale of a lot of snow provided they don't have a lot of other stuff facing them.

I appreciate your candor and it is good to have you back.

We have some other questions that we will submit for the record. My colleagues on the committee will also have some questions.

Mr. PAGE. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

RAIL CONSTRUCTION PROGRAM

Senator Andrews: Going back to your statement regarding the rail construction program, which items in the current rail construction program are for segments beyond the 75-mile (or 76-mile) system? Which items would be affected if your Federal funding level were held to $275 Million?

Response: The Authority's current approved construction program goes through Federal Fiscal 1985 (a copy of the approved rail construction program is attached). The program is based on Federal funding levels of $375 Million in 1984 and $415 Million in 1985. If actual funding is less than these amounts, such as $275 Million, a prorata reduction is made to the funds allocated for real estate and construction budget items. This reduction is made as part of the capital payment agreement among all jurisdictions. Therefore, the entire construction program is adversely impacted when funds are reduced. However, a revised construction program could be adopted based on lower funding that attempts to maintain completion of segments nearing completion such as the K-Route by deferring work on other routes and subdividing contracts.

The following list reflects the projects in the current construction program that are beyond 76-miles of the system.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
APPROVED RAIL CONSTRUCTION PROGRAM

BUDGET ITEMS:	1982	1983	1984	1985	1986
MANAGEMENT & CONSULTANT	44.0	59.6	44.0	44.0	
START-UP/FORCE ACCOUNT	7.0	7.9	6.0	6.0	
GRANT SHORTFALL** B-GRANT	80.0	25.9	--	--	
WORK EQUIPMENT	--	3.0	3.0	3.0	
DESIGN E-3 $3.0 & E-4 $5.0	--	--	8.0	--	
SUBTOTAL	131.0	96.4	61.0	53.0	
C- & L-ROUTES					
A-ROUTE					
CONSTRUCTION:					
1. K-ROUTE					
Real Estate	--	--	--	--	
Structural K-7	21.2	--	--	--	
Finish & Stage	7.4	41.3	31.1	--	
2. B-ROUTE					
Real Estate	--	--	--	--	
Structural B-10****/B-11, 12	--	23.4	67.0	143.0	
Finish & Stage	--	--	--	38.9	
3. INNER GREEN ROUTE					
Real Estate	--	--	--	--	
Structural F-5/E-1d & New Project/E-1a &	*62.9	44.1	115.0	66.0	
Finish & Stage New Project/E-1b	--	--	--	33.5	
4. J/H ROUTE					
Real Estate	--	--	--	--	
Structural /J-2b/H-1	--	--	48.0	38.0	
Finish & Stage	--	--	--	14.5	
5. OUTER F-ROUTE					
Real Estate	--	0.6	14.5	--	
Structural F-7a	--	--	--	11.0	
Finish & Stage	--	--	--	--	
6. E-ROUTE					
Real Estate	15.6	6.9	--	11.4	
Structural E-6/E-5, E-7/E-7	--	25.0	34.0	28.0	
Finish & Stage	--	--	--	--	
Advance Parking E-5b, E-7b	19.4	--	--	--	
SUBTOTAL	126.5	141.3	309.6	384.3	
OTHER CONSTRUCTION	6.0	7.0	6.0	7.0	
CONTINGENCY	19.8	16.3	20.2	36.5	
INSURANCE	18.0	15.9	32.0	38.0	
FARE COLLECTION	4.0	6.0	--	--	
RAIL CARS	29.6	70.0	40.0	--	
QUANTITY	(36)	(60)	(34)	--	
INVENTORY (464)	(500)	(560)	(594)	--	
ANNUAL TOTALS***	334.9	352.9	468.8	518.8	

*FHWA Funding Access Roads and Parking for Anacostia, $31.7M not included in 1982 funding.

**Distribution of the 1982 Grant Shortfall amount is: DC, $10.0M; MD, $53.0M; and VA, $17.0M.

***Construction levels are supported by Federal funding for fiscal years 1982, 1983, 1984, and 1985 of $284.7M, $285M, $375M, and $415M, respectively.

****One structural contract for B-10 funded with fiscal year 1983 and fiscal year 1984 funds.

CONSTRUCTION PROGRAM BEYOND 76 MILES

	FEDERAL BUDGET YEAR PROGRAM			
BUDGET ITEMS:	1982	1983	1984	1985
B-Route: Structural Construction B-11 and B-12	-	-	-	X
J/H Route: Structural Construction J-2b and H-1	-	-	X	X
Outer F-Route:	-			
Structural Construction F-7a	-	-	-	X
E-Route: Design	-	-	X	-
Structural Construction E-6/E-5, E-7/E-7	-	X	X	X

SYSTEMS OPENINGS THIS YEAR

Senator Andrews: Your statement indicates that you are on schedule for openings from Gallery Place to the airport in April and the Blue Line to Huntington by the end of the year. Do you have sufficient cars for these openings without creating dislocations elsewhere on the system?

Response: We believe that we have sufficient number of cars in our current fleet to open Stage One of the Yellow Line, which runs from Gallery Place to National Airport. The planned opening of the line to Huntington is predicated on the delivery of additional cars.

A study completed last fall looked at ridership demand on the current system, the level of service that was being provided, and scheduling options for several future phases. The study determined that current demand could be served with fewer cars than we had been using. However, in doing so, the study emphasized that our commitment to providing reliable service would have to be strengthened. To accomplish this, it was recommended that some of the "surplus" cars be used to increase the rail car spares factor (which would allow for improved fleet maintenance) and to provide for three "gap trains" (which would be strategically positioned to fill "gaps" in service caused by trains with mechanical failures).

The revised schedule, which affected only the number of cars in each train and not the frequency of service, was implemented on an experimental basis on January 3. This has resulted in a significant improvement in operating performance, and there have been no major or recurring problems with severe overcrowding. Based on this, we will be recommending to our Board of Directors that the additional cars that have been saved under this plan be used to open Stage One of the Yellow Line in late April. Simply stated, this results in a more efficient utilization of our current fleet.

The extension of the line to Huntington will require some of the new cars that are on order. Based on our current delivery and testing schedule, we expect to have a sufficient number of cars to open this phase in December.

STIMULUS

Senator Andrews: Additional FY 83 WMATA appropriations were part of the stimulus title of the continuing resolution in the Lame Duck-Session. This title was dropped by House and Senate conferees under threat of a veto, which would have closed down government. Given this history, tell us What levels of funding do you feel could be appropriate for immediate job stimulus? How many jobs might be created? What difficulties would WMATA have in putting together the 20% local match? What rail segments might be accelerated by such an infusion this fiscal year?

Response: In June, 1980, the Authority's adopted construction budget for Fiscal 1983 was based upon $475 Million in Federal funds, or $190 Million more than the actual $285 Million that has been appropriated. We believe we could efficiently get this total amount under contract within this year, assuming that our FY 1984 program of $375 Million in Federal funds is appropriated.

The $190 Million difference between the appropriated amount and the adopted program would provide about 1,400 jobs as a direct result of additional construction. These funds would accelerate the B-Route from Silver Spring to Glenmont; the J/H Route to Springfield/ Franconia; and the Inner Green Route from Anacostia to "U" Street NW.

The additional $190 Million of appropriations would require an additional $47.5 Million of local matching funds. Of this amount $25.7 Million had been committed to the FY 1983 program by the localities under the Third Interim Capital Contributions Agreement (ICCA-III) to match the higher Federal funding level requested by the Authority. Although we would have to seek increased funding from the jurisdictions, we are confident that the Authority and the jurisdictions would find the local match.

METRORAIL TO DULLES

Senator Andrews: Is any activity underway with the Department of Transportation to pursue construction of a rail segment to Dulles Airport?

Response: No, this issue is completely dormant at the present time.

FY 1984 CONSTRUCTION PROGRAM

Senator Andrews: Please provide an analysis of your FY 1984 construction projects, indicating the status of your design and acquisition of real estate.

Response: The attached table details design, real estate, and system contracts included in WMATA's FY 1984 construction program.

FY 1984 CONSTRUCTION PROGRAM

SECTION OR ROUTE	DESCRIPTION	DESIGN STATUS AS OF 01/31/83	STATUS OF REAL ESTATE ACQUISTION			
			PERCENT OF PROP. ACQ'D	PARCELS REQUIRED	PARCELS CERTIFIED	PARCELS AVAILABLE FOR CONSTRUCTION
K-Route	Vienna Station Parking	98%	100%	14	14	14*
"	Substation Eqmt Installation	5%	--**			
"	Electrical Connections SS1-7	5%	--**			
"	Automatic Train Control Installation	100%	--**			
"	Station Graphics & Furniture	0%	--**			
"	Escalators Installation	70%	--**			
E-1	Mt Vernon Sq/UDC Station & Line	99%	94%	31	29	29
J-2	Van Dorn Station & Line	97%	10%	20	20	2
E-5	W. Hyattsville Line	16%	0%	25	2	0
B-10	Wheaton Station & Line	99%				
	Part I	-	93%	14	14	13
	Part II	-	66%	45	44	30

* Includes one parcel available by right-of-entry
** Systemwide equipment contracts for K-Route from Ballston to Vienna.

SUBURBAN BUS SERVICE SUBSTITUTION

Senator Andrews: Are the Suburban jurisdictions, such as Fairfax and Alexandria, planning their own bus service and dropping out of the existing Metrobus network? How soon might this occur?

Response: Both Fairfax County and Alexandria are in the process of setting up their own transit operations as partial replacement for service currently provided by Metrobus. According to the involved jurisdictions, present plans call for the replacement of approximately 10% of the Metrobus service provided to Fairfax County, 15% of the Metrobus service provided to Alexandria. These plans call for the implementation of the Fairfax County and Alexandria transit operations between January 1984 and June 1984.

Senator Andrews: What effect on capital and operating costs would this have on Metro?

Response: Present plans of Fairfax County and Alexandria would reduce Metrobus fleet requirements by approximately 45-50 buses and Metrobus personnel requirements by approximately 100 operators and maintenance personnel. Thus, WMATA Metrobus capital and operating costs are expected to go down with the partial replacement of Metrobus service by the local jurisdictions.

Senator Andrews: What has been Montgomery County's experience with RIDE-ON?

Response: A comparison of Ride-on and Metrobus operation in Montgomery County is attached which indicates that cost per passenger is approximately the same. Cost per mile are higher for Metrobus, but the number of passengers per mile is greater for Metrobus. Mechanic wages sales are slightly higher (4%) for Ride-on but offset by significantly lower (19%) operator wage rates.

COMPARISON OF RIDE-ON AND METROBUS OPERATION IN MONTGOMERY COUNTY

(FY82 DATA)	RIDE-ON	METROBUS	NOTES
Passengers Carried	4,749,653	15,148,953	(1) (2)
Passenger Revenue	$ 2,573,000	$ 7,744,355	(1) (3)
Miles Operated	2,691,000	6,654,162	(5) (2)
Total Operating Cost	$ 6,836,000	$21,438,995	(1) (3)
Subsidy Required	$ 4,263,000	$13,694,640	(1) (3)
Cost/Passenger	$ 1.44	$ 1.42	
Passengers/Mile	1.77	2.28	
Cost/Mile	$ 2.54	$ 3.22	
Revenue/Cost Ratio	37.6%	36.1%	
Bus Requirements:			
Peak	83	161	(5) (4)
Base	49	60	(5) (4)
Maintenance Wage Rates (Top)			
Foreman (Lead Mechanic)	$ 13.52	$ 13.14	(6)
Mechanic	$ 12.90	$ 12.41	(6)
Hustler (Cleaner/Shifter)	$ 8.53	$ 9.55	(6)
Operator Wage Rate (Top)	$ 9.76	$ 11.995	(7)

NOTES:
(1) - Ride-on Data from FY82 Report
(2) - Metrobus Data from Spring 82 Ridership by Line Report.
(3) - Metrobus Data from 3rd Quarter FY82 Allocation Report.
(4) - Metrobus Requirements calculated without interlining with other Jurisdictions.
(5) - Ride-on Data as of Jan 82, included in Shady Grove Bus Route Network Plan - Ride-on now has 155 buses and 52 more on order; the Shady Grove bus route network will require 263 peak and 136 base buses in Montgomery County (Ride-on and Metrobus combined).
(6) - As of Sept 82; Data from Neighborhood Small Bus Study.
(7) - Current; Ride-on work rules and run construction constraints are more liberal than WMATA.

FARE INCREASE

Senator Andrews: When will your next fare increase be considered? What amount of increase is likely? Have you assumed a fare increase in the budget?

Response: A fare increase is now under consideration by the Board of Directors and it is likely that action will be taken on March 3, 1983, with an effective date of implementation in early April, 1983. It is expected that the increase will raise fares generally by some 12-15 percent. The General Manager's budget assumes April 1983 and April 1984 fare increases.

BUY AMERICAN

Senator Andrews: How will the new Buy American Provision contained in the Surface Transportation Act effect WMATA either in rail car procurement or construction?

Response: The Authority contracted with Breda Costruzioni of Italy for the procurement of ninety-four (94) rail cars and subsequently negotiated for an additional two-hundred (200) vehicles from Breda funded as indicated below:

FISCAL YEAR	1981	1982	1983	1984
Funds (Millions)	$78.9	$29.6 + $7.9*	$70.0	$40.0
Quantity	70	36	60	34

*Carryover from 1981

The contract with Breda contains a Buy American clause which provides for sixty percent (60%) of the procurement to be from U.S. suppliers. This contract is already in force and therefore should not be impacted by changes to the Buy American Provision.

The Authority's construction program for FY 84 as defined in the Third Interim Capital Contributions Agreement (ICCA-3) contains no work that will likely attract foreign bidders, therefore, the new Buy American Provision will have no impact on WMATA's construction during this fiscal year. The last year of ICCA-3 (Fiscal Year 1985) does include the early procurement of substation equipment under funding for stage items. Advertisement for bids for substation equipment procurement which has appealed to foreign bidders in the past will probably have the same attraction in the near future. The new Buy American Provisions are more restrictive than in the past but they do contain some exemptions (such as materials and products that are not produced in the U.S. in sufficient and reasonably available quantities and of satisfactory quantity). There are also exemptions based on additional cost (more than 10% for rolling stock and 25% in all other projects). These exemptions will require us to carefully examine each new procurement to see if Buy American requirements will reduce competition or cause excessive additional cost. Since this requires a case by case examination, it is too early to know the effect. We will work closely with the Department of Transportation (UMTA) and other transit agencies to determine the impact.

BUS SERVICE FOR THE HANDICAPPED

Senator Andrews: Do you still maintain a lift-equipped fleet of 131 buses?

Response: The Authority currently maintains a lift-equipped fleet of 150 1978 model Flxible buses.

Senator Andrews: Are you including in your Fiscal Year 1983 bus rehabilitation any retrofit of lifts?

Response: No. It was determined impractical and economically infeasible to place lifts on the GMC buses undergoing rehabilitation. The decision was made, with handicapped community concurrence, to procure new buses with lifts.

Senator Andrews: Will any buses you purchase this Fiscal Year be lift-equipped?

Response: Yes, the Authority advertised for bids on January 28, 1983 for a contract to provide approximately 70 to 80 standard size lift-equipped buses. These units when received will augment the current fleet of 150-lift equipped buses.

FIRE SAFETY TRAINING

Senator Andrews: Last year, Mr. Page testified that WMATA was considering requiring all METRO employees (not just train operators, supervisors and policemen) to be trained in fire safety. Has this been instituted? What have been the results?

Response: The Authority is currently completing the proposed development of a general orientation program to inform all Metro employees of basic safety and emergency features of the Metro rail cars and system. it is felt that the approximate 1,500 Metro employees who ride the rail system on a daily basis can be a positive influence in the event of an emergency. The program, therefore, will go beyond fire safety training.

The proposed program will include such areas as:

- emergency procedures
- emergency equipment locations and use
- how to respond to an emergency
- what to expect in an emergency

The program will cover on-board car actions, exiting, and passenger actions in tunnel areas. It is anticipated that the program will be completed 180 days after work begins.

JANUARY 13, 1982 ACCIDENT

Senator Andrews: Provide for the record the follow-up actions WMATA has taken in response to the recommendations of the American Public Transit Association and the National Transportation Safety Board, following the accident on January 13, 1982.

Response: January 13, 1982 Accident - The Authority initiated a major accident follow-up effort which will be completed in various stages. It acted quickly to make those changes needed to prevent a similar accident from occurring in the future, and has undertaken an even more important long range evaluation of the Metrorail system. That re-examination of all facets of Metrorail operations should insure that our personnel and equipment will provide the Washington Metropolitan Area with the safest and most efficient rail service possible.

Immediate Follow-up Actions. The Authority immediately initiated a re-examination of its operating procedures and policies to determine what changes were required to insure system safety and preclude the recurrence of this type of event. The actions taken have resulted in additional train procedures, particularly in situations where switch equipment is defective, trains are moving against traffic or trains are being operated manually. Metrorail communications procedures and third rail power removal procedures also have undergone a thorough review, so that we can respond promptly and effectively to emergency situations. Today a significant difference can be noted in the way the control and train operations personnel communicate.

Accompanying this review of our procedures has been the administration of a refresher training program for all RAIL Transportation and Control room personnel to insure that they understand and are following these procedures. The revisions have been incorporated in future training courses, and additional follow up is continuing in the staff review of the Handbook of Metrorail Operating Rules. This review is considering the appropriateness, completeness, precision, clarity and organization of current operating directives to identify and correct deficiencies.

Metrorail system equipment has also undergone changes following the accident. Steps were quickly taken to upgrade onboard safety equipment including the installation of new emergency ladders and added security for the car emergency power supply. Additionally, procurement of portable radios for train operators has been initiated to provide backup communication between the control room and train operators. Daily car inspection procedures have been clarified to insure that carborne safety equipment is in place and functioning properly each day.

Important changes have been made to Metrorail communications systems. A major action to upgrade the emergency communications capability between Rosslyn and Foggy Bottom Stations was completed in November, 1982. Provision of portable phones for use in other tunnel segments and the addition of radio channels for the local fire service personnel will provide superior emergency communications capability in the Metrorail system.

With regard to Control Room equipment, changes have been made to improve emergency communications between the rail operations control room and police and maintenance personnel. Work also was completed on the installation of a new, larger control room display system which provides staff with additional information on the status of train operations and system status.

Policy Changes. The Board of Directors acted on December 16, 1982 to conclude a major review of Metrorail safety and evacuation procedures. The decision to modify the Authority's procedures and rail cars will result in passengers being able to initiate emergency car evacuation from a stopped train without the direct participation of WMATA personnel. The review required an assessment of equipment changes which could be made, the safety issues of alternative evacuation methologies and the procedures and experience of other transit properties. Staff has initiated the follow up activities needed to implement the Board's decision and to retrofit the rail cars to permit passengers to open car doors.

Long Range Efforts. The Authority has undertaken several major studies to examine various aspects of Metrorail operation. The system analysis currently being conducted by Boeing Aerospace Corporation is an indepth examination of how rail operations are controlled, how personnel are trained, the adequacy of system equipment, and what changes may be made to improve system safety and effectiveness. Because many operating functions can be performed by either machines or human beings, this study involves an assessment of current performance, potential capabilities, and possible trade offs between these capabilities. The initial findings of the study are that Metrorail as designed and operated is a very safe and reliable system and that major changes in the way Metrorail operates are not required. The report will suggest and prioritize actions needed to fine tune our procedures, equipment and training.

The major result of the system analysis is expected to be the revision and upgrading of the rail training program. The development of new courses for control room personnel, transportation supervisors and training personnel will be completed, and existing courses for operating and station personnel revised and strengthened. Additionally, this effort will result in the development of certification programs and refresher training courses. Key to this effort will be the development of a training organization and facility for which continued support of the Board of Directors and WMATA management will be required to insure that the necessary resources are available to support this important undertaking.

Concurrent with the changes in training is the development of a program to simulate emergency situations and test the performance of the system and our personnel. The emergency drill held on November 7, 1982 provided the basis for designing future exercises through which WMATA's readiness and performance can be assessed and the cooperative arrangements with the local jurisdictions can be tested. On the basis of the November drill, I think we can take pride in the significant amount of progress which has been made to improve our working relationship with the local fire departments. The recent reorganization of the fire protection function and hiring of additional personnel will result in continued improvement in this area.

An additional contractural effort is currently underway to assess the capability of the Metrorail ventilation system and to develop operating plans for emergency use of the ventilation system. Implementation of the results of this study will be incorporated in the overall changes to control room equipment and procedures, and will provide the Authority with added assurances of the safety of the Metrorail system.

In summary, I think that our activities in the last year have been important to the continued improvement of the Metrorail system. While serious accidents such as the one that occurred on January 13, 1982 are most regrettable, they can result in positive changes. In this case it has resulted in the reassessment of the totality of Metrorail operations to insure that we provide the public with the best system possible.

FY 1983 CONSTRUCTION PROGRAM STATUS

Senator Andrews: Provide for the Record the percentage of each of your three major activities (land acquisition, design, and construction) completed as of September 30, 1983 for a 101-mile system and the so-called 76-mile system.

Response: The following table reflects the percentage of completion for real estate acquisition, design and construction for the 101-mile system and for 76 miles of the system:

	PERCENT COMPLETE	
ACTIVITY	101 MILES	76 MILES
Design	92%	95%
Real Estate Acquisition	73%	90%
Construction	74%	80%

OPERATING COST COMPARISONS

Senator Andrews: Provide for the record data on how Metro rail and bus compare to other large metropolitan systems for:

- operating cost recovery from fares
- operating costs per passenger

Response: In the first six months of FY 1983, WMATA recovered 39.1% of Metrobus operational cost from fares. The following information was obtained from comparable systems:

o Southern California Rapid Transit	45.14%
o Mass Transit Administration (Baltimore)	49.60%
o Massachusetts Bay Transit Authority	27.64%
o Chicago Transit Authority with a cost per passenger of approximately 87¢	51.3% (Bus & Rail)

Earlier date from the UMTA Section 15 Report (National Urban Mass Transportation Statistics - Second Annual Report Section 15 Reporting System), published in June, 1982, shows the following for FY 1980:

	Operator	Buses	Revenue Fleet	Operating Ratio	Cost Per Passenger Bus	Rail
Chicago	(CTA)	2420	3520	44.5%	0.49	1.01
Philadelphia	(SEPTA)	1584	2950	35.0%	0.49	0.60
Los Angeles	(SCRTD)	2732	2732	38.2%	0.67	--
Washington	(WMATA)	2082	2378	42.4%	0.79	0.85
Boston	(MBTA)	1079	1774	27.0%	0.94	0.74

FARECARD MACHINES

Senator Andrews: How reliable are the farecard machines? Is there any alternate to the farecard system planned for the future? What losses does Metro experience due to AFC vandalism and burglary?

Response: The overall availability of the Automatic Fare Collection is averaging 94%. The farecard vendors are averaging 86%. The figure for the vendors includes out-of-service times for restocking of farecards, revenue service (coin and bill collection and restocking) as well as scheduled and unscheduled maintenance. We have completed several test programs for upgrade modifications which will improve the availability of the system dramatically.

We do not have any plans to replace the farecard system with any alternative approach to fare collection on Metrorail. The recommendations of a Regional Task Force was to improve and retain the present system. These recommendations were adopted by the WMATA Board of Directors.

During calendar year 1982, $143,794.20 in cash was stolen from the machine as a result of burglary and the cost to repair the damage to the AFC machines was $247,043,93.

MONTH	TOTAL NO. OF BURGLARIES	MONETARY LOSSES	DAMAGE REPAIR COST
January	5	$ 8,754.60	$ 21,066.14
February	2	3,487.55	2,833.68
March	4	4,250.45	3,176.77
April	4	2,697.75	2,348.00
May	6	8,184.55	12,251.35
June	6	14,404.15	22,046.19
July	18	28,728.35	74,699.99
August	11	17,619.25	21,881.21
September	7	12,030,35	16,537.49
October	12	10,735.90	17,249.66
November	10	14,938.50	29,735.83
December	11	17,962.80	23,217.62
	96	$143,794.20	$247,043.93

Metro Transit Police approximate mahours investigating burglaries:
Note: These manhours only pertain to officers on the scene.

MONTH	TOTAL HOURS	MONTHS	TOTAL HOURS	MONTH	TOTAL HOURS
January	18.5	May	50.5	September	23.5
February	4.5	June	22.5	October	38.5
March	6.0	July	45.5	November	35.5
April	22.5	August	26.5	December	22.5

Total Manhours 310.5

RAIL CARS

Senator Andrews: How many of the 294 rail-car procurement still are undelivered? How many are expected this year?

Response: One car has been delivered to the assembly at Beach Grove, Indiana. 94 cars are scheduled to be on WMATA's property this fiscal year.

BUS PURCHASE AND REHABILITATION

Senator Andrews: Provide a summary of buses to be purchased and rebuilt during FY 1983 and 1984. Include unit cost, source of funding, contractor, and estimated bus life.

Response: Seventy-five new buses will be received in FY 1984 with a unit cost of $160,000 funded with FY 1983 Section 3 UMTA funding. The contractor is unknown at this time. Estimated bus life is 12 years. The FY 1984 funding level is uncertain, but the Authority plans to utilize approximately $16 million for either bus rehabilitation or new bus procurement.

Thirty-three Articulated buses will be received in FY 1984 with a unit cost of $272,000 to be funded through Section 5 UMTA grants. Contractor M.A.N. Truck and Bus Company. Estimated bus life is 12 years.

Two hundred and ten GMC buses will be rehabilitated and delivered in increments of 20 per month beginning in May 1983 and continuing through FY 1984. Funding for life is through Section 3 and 5 and Title 23 funds. Unit cost if $80,500 with a bus life expectancy of 7 years. Contractor for this work is the Blitz Corporation.

SYSTEM INDICATORS

Senator Andrews: Provide an update of the statistics shown on pages 290-292 of last year's Senate hearing.

Response: The information follows:

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
FY 1984 BUDGET ESTIMATES
METROBUS OPERATIONS
INDICATORS

	FY 1979 ACTUAL	FY 1980 ACTUAL	FY 1981 ACTUAL	FY 1982 ACTUAL	FY 1983 CURRENT BUDGET	FY 1984 BUDGET ESTIMATES
Total Bus Miles (000's)	51,875	55,478	54,791	53,235	52,705	52,408
Scheduled Bus Miles (000's)	50,790	54,459	53,942	52,633	51,938	50,611
Total Passenger (000's)	119,848	149,224	141,411	135,960	131,500	125,350
Bus Fleet Size (Year End)	1,826	1,810	1,760	1,733	1,718	1,607
Scheduled Buses (Maximum)	1,585	1,585	1,543	1,521	1,510	1,435
Total Operating Costs (000's)	$135,366	$ 160,027	$174,810	$195,414	$207,400	$231,586
Total Revenue (000's)	$ 62,040	$ 70,924	$ 81,368	$ 84,756	$ 83,423	$ 90,315
Total Operating Assistance (000's)	$ 73,326	$ 89,103	$ 93,242	$110,658	$123,977	$141,271
Passenger Revenue (000's)	$ 55,655	$ 63,754	$ 73,919	$ 73,936	$ 75,287	$ 81,455
Passengers Per Scheduled Bus Mile	2.35	2.74	2.62	2.58	2.53	2.48
Passengers Per Scheduled Bus	75,614	94,148	91,647	89,389	87,086	87,352
Percent of Scheduled Buses to Fleet	86.8%	87.6%	87.7%	87.7%	87.9%	89.3%
Cost Per Total Bus Mile	$ 2.61	$ 2.88	$ 3.19	$ 3.67	$ 3.94	$ 4.42
Cost Per Bus-Total Fleet	$ 74,133	$ 88,413	$ 99,324	$112,761	$120,722	$144,111
Cost Per Passenger	$ 1.13	$ 1.07	$ 1.24	$ 1.44	$ 1.58	$ 1.85
Average Passenger Fare	$ .464	$ .427	$ .523	$ .544	$ .573	$ .650
Passenger Revenue Per Scheduled Bus	$ 35,114	$ 40,223	$ 47,906	$ 48,610	$ 49,859	$ 56,763
Passenger Revenue Per Scheduled Mile	$ 1.09	$ 1.17	$ 1.37	$ 1.40	$ 1.45	$ 1.61
Operating Assistance Per Passenger	$ .612	$ .597	$ .659	$ .814	$ .943	$ 1.127
Operating Assistance Per Bus-Total Fleet	$ 40,157	$ 49,228	$ 52,978	$ 63,853	$ 72,164	$ 87,910
Operating Assistance Per Scheduled Bus	$ 46,262	$ 56,216	$ 60,429	$ 72,753	$ 82,104	$ 98,447
Percentage of Operating Assistance to Total Cost	54.2%	55.7%	53.3%	56.6%	59.8%	61.0%
Percentage of Total Revenue to Cost	45.8%	44.3%	46.7%	43.4%	40.2%	39.0%
Percentage of Passenger Revenue to Total Cost	41.1%	39.8%	42.3%	37.8%	36.3%	35.2%

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
FY 1984 BUDGET ESTIMATES
METRORAIL OPERATIONS
INDICATORS

	FY 1979 ACTUAL	FY 1980 ACTUAL	FY 1981 ACTUAL	FY 1982 ACTUAL	FY 1983 CURRENT BUDGET	FY 1984 BUDGET ESTIMATES
Total Car Miles (000's)	—	—	—	—	—	20,859
Scheduled Car Miles (000's)	12,279	16,741	17,969	17,440	18,200	19,226
Total Passengers (000's)	59,173	75,635	75,590	78,450	79,200	83,550
Total Operating Cost (000's)	$ 53,852	$ 74,118	$ 90,291	$107,922	$125,180	$151,638
Total Revenue (000's)	$ 32,166	$ 45,114	$ 54,922	$ 63,288	$ 68,136	$ 86,357
Total Operating Assistance (000's)	$ 21,686	$ 29,004	$ 35,369	$ 44,634	$ 57,044	$ 65,281
Total Passenger Revenue (000's)	$ 31,097	$ 42,703	$ 52,524	$ 59,303	$ 62,975	$ 75,457
Passengers Per Scheduled Car Mile	4.82	4.52	4.21	4.50	4.35	4.35
Passengers Per Scheduled Cars	250,733	317,794	309,795	306,445	309,375	300,540
Percent of Scheduled Cars to Total Cars	83.1%	83.2%	84.7%	87.1%	87.1%	83.2%
Cost Per Total Car Miles	—	—	—	—	—	$ 7.27
Cost Per Scheduled Car Miles	$ 4.39	$ 4.43	$ 5.02	$ 6.19	$ 6.88	$ 7.89
Cost Per Total Rail Cars	$189,620	$259,154	$313,510	$367,082	$425,782	$454,006
Cost Per Passenger	$ .91	$ .98	$ 1.19	$ 1.38	$ 1.58	$ 1.81
Average Passenger Fare	$ .526	$ .565	$ .695	$ .756	$ .795	$ .903
Passenger Revenue Per Scheduled Car	$131,767	$179,424	$215,262	$231,652	$245,996	$271,428
Passenger Revenue Per Car Scheduled Mile	$ 2.53	$ 2.55	$ 2.92	$ 3.40	$ 3.46	$ 3.92
Operating Assistance Per Passenger	$ .366	$ .383	$ .468	$ .569	$ .720	$ .781
Percent of Operating Assistance to Total Cost	40.3%	39.1%	39.2%	41.4%	45.6%	43.1%
Percentage of Total Revenue to Cost	59.7%	60.9%	60.8%	58.6%	54.4%	56.9%
Percentage of Passenger Revenue to Total Cost	57.7%	57.6%	58.2%	54.9%	50.3%	49.8%
Route Miles-One Way	30.8	33.6	37.2	39.2	42.2	46.77
Stations	34	38	41	44	47	51
Mezzanines	49	53	56	59	61	66
Trains-Maximum	31	38	41	43	52	55
Total Rail Cars	284	286	288	294	298	334
Scheduled Rail Cars	236	238	244	256	248	278

SPRINGFIELD GARAGE

Senator Andrews: Why have you not yet decided to add the Springfield location bus garage? What factors are you considering?

Response: A bus garage location study based on operational research techniques was completed by WMATA in 1981. The study concluded that the Springfield Garage location was not as operationally cost effective as an alternate location in Merrifield. The study considered capital/operating cost and operational efficiency.

In 1982, the Northern Virginia Transit Commission requested that the Authority prepare the necessary documents that would enable us to proceed with a publc hearing to satisfy the requirements of the local Fairfax County Planning Commission. The study has commenced and will be completed in March 1983. The public hearing will be held in April 1983. A decision will be made at that time on which location, Merrifield or Springfield, will be utilized for a bus garage.

Factors Considered

- o Capital cost
- o Operating cost
- o Operational efficiency
- o Traffic impact
- o Joint development potential
- o Environmental issues

RAIL CAR PROCUREMENT

Senator Andrews: The General Accounting Office (GAO) recently completed a review of WMATA's management of their railcar procurement. A report will be issued shortly pointing out that production and labor problems have delayed railcar deliveries approximately 21 months; controls over contractor performance have been limited because of weak contract provisions; and several contract decisions were made without sufficient information on the effect they would have on cost and deliveries. GAO concludes that WMATA has limited assurance that safe and reliable rail cars will be delivered, and contract costs may have increased unnecessarily or without offsetting benefits. GAO reports that within the next few months the contract may be modified to incorporate a revised railcar delivery schedule, and points out that progress payments for the option contract were considerably more lenient than under the original contract even though the contractor was not on schedule or submitting critical management documents. In addition, GAO believes that the liquidated damages clause in the Breda contract does not adequately compensate WMATA for late delivery and discounts the importance of timely delivery. What are WMATA's plans regarding GAO's suggestions to renegotiate the progress payment schedule and liquidated damages provision of the contract?

Response: It is not feasible to renegotiate a progress payment schedule and liquidated damages provision since each provision is a part of an executed contract between two parties. Further, we disagree with the GAO that the contract payment provisions provide inadequate control over contractor performance. Payments under the base order are linked to performance milestones such as program schedules, production engineering drawings, full-scale mockup, approval of car builders specifications, completion of car body tests, first production cars and, of course, delivery and acceptance of cars. Milestone payments for the option cars were established during the contract negotiations on the option prices with the contractor. Many of the milestones in the base order were not applicable to the option order, since full production would be in process. Consequently, other milestones were selected which we analyzed to provide a greater incentive to the contract to adherence to schedule.

With regard to liquidated damages, we again disagree with the GAO that these provisions do not adequately compensate WMATA for late delivery of cars. WMATA estimated probable actual damages prior to advertising this procurement, and, accordingly, these rates were established in the contract.

Any attempt to "renegotiate" the terms of this contract could result in a material increase in the contract price. Suggestions of this nature are not "dollar savers" and are counter productive.

Senator Andrews: Does WMATA plan to obtain the outstanding plans and documents required by the contract or to modify the contract provisions and price to reflect changes required in contractor performance? If not, why?

Response: WMATA has obtained all outstanding critical plans and documents required by contract. WMATA has notified the contractor that other non-critical plans and documents should be deleted and appropriate credit provided to WMATA. The contractor acknowledged and credit will be negotiated.

RAIL CAR TEST PLAN

Senator Andrews: WMATA's contract with Breda Costruzioni Ferroviarie, S.P.A., an Italian transit car builder contains no provision for preparation of a comprehensive test plan to assure compliance with contract specifications. The contractor has submitted a list of tests which do not include details regarding testing methods or specify on what basis the tests would be evaluated, and therefore are not considered an adequate test plan. According to GAO, a test plan should identify what tests will be conducted, who will perform specific tests, the time needed for each testing phase, and corrective action to be taken if performance risks are identified. What are WMATA's plans regarding the preparation of a comprehensive test plan clearly identifying tests needed to be performed to ensure that safety, reliability and contractual requirements are met?

Response: WMATA has received the contractor's test plan. Detailed test procedures have also been submitted and Breda is in the process of their finalization to reflect WMATA review comments.

Senator Andrews: If such a test plan is not prepared, what control does WMATA have to determine all important system requirements are properly tested?

Response: The test plan has been submitted by the contractor.

CHOPPER PROPULSION CONTROL

Senator Andrews: Chopper propulsion technology is in use by several transit systems. However, testing of the chopper propulsion system by WMATA identified electromagnetic interference problems with METRO's automatic train control and communications equipment. Such electrical noise can interfere with the system's automatic train control interrupting service or creating an unsafe operating condition. Because of production delays, WMATA decided to order the chopper propulsion cars before performing additional tests it had planned to conduct to determine compatibility with the existing system. Why didn't WMATA delay the decision to purchase the chopper propulsion until the required tests had been corrected?

Response: Due to the delay to the rail car delivery, WMATA did not have the benefit of having the finished product for prototype testing. However, the chopper system to be provided was obtained and tested with the assistance of the consultant, contractor, and supplier. The possible EMI problem has been addressed, quantified and measures have been taken to reduce and/or eliminate its impact on the operating system.

Senator Andrews: Now that the chopper system has been ordered, what will WMATA do if problems occur in future testing and the cars are not compatible with the existing system?

Response: WMATA feels certain that the necessary measures have been taken to reduce the impact of EMI and to ensure compatibility with the existing system. Furthermore, WMATA has contractual protections which would ensure a suitable solution should problems develop.

Senator Andrews: What measures will be taken to ensure that proper testing on the chopper system will be conducted and that system safety is attained?

Response: Extensive testing at the manufacturer's plant to ensure proper operation of the chopper has been conducted. Furthermore, an extensive series of tests are planned for the first pair of chopper cars at WMATA dedicated test track prior to placement in revenue service. These tests will be repeated with the second, third and fourth pair of cars.

BREDA DELIVERY DELAYS

Senator Andrews: The contractor has had problems which have resulted in schedule delays. In addition, required data has not been provided to WMATA, contract provisions have not been met, and required testing either has not been planned or completed. WMATA, however, has excused such actions, and made important decisions based on incomplete information. Why has WMATA not taken action to 1) made the contractor responsible for contract breaches, and 2) obtain a better contractual arrangement because of the contractors past performance? In addition, why have the delays been excused? In short, why hasn't the contract been adequately enforced?

Response: WMATA has taken action to obtain delivery of required engineering data. A schedule has been established and we have received commitments from Breda Management. Although failure to deliver certain data in accordance with the contract terms may be characterized as a minor "breach", these delinquencies were such as to not endanger the car production adherence to specifications and scheduled delivery. In addition, some of the items are redundant or were not necessary.

Overall, WMATA believes the contractor performance has been satisfactory. Unfortunately, there have been events, catastrophic failure of an aluminum press and a lengthy strike by the employees of a major U.S. subsystem supplier, that have had major impacts on delivery schedules. Every effort was made by Breda to mitigate the effects of these delays.

Under the contract terms, events beyond the control or negligence of the contractor or subcontractor are considered "excusable." After a lengthy investigation of the facts, a determination was made by the Contracting Officer that the extended aluminum press failure was an excusable delay. The strike delay is being evaluated and the same kind of thorough investigation will be used to determine if the strike delay is excusable. Normally, a "strike" is an "excusable delay," under the contract.

WMATA believes that it has enforced the contracts terms to the extent reasonable and necessary to assure a safe, reliable, and acceptable transit car which will comply with the specifications. There is no evidence of our failure to enforce the terms of the contract on a reasonable basis. It should also be noted that the provisions of the option extended to us essentially the same low price as in the base order bid. This price was considered well below the market.

QUESTIONS SUBMITTED BY SENATOR CHILES

OPERATING ASSISTANCE REDUCTIONS - IMPACT ON METRO

Senator Chiles: Mr. Page, we have been hearing a lot about the Administration's proposal to limit operating assistance to $275 million in 1984 and eliminate it entirely by the end of 1985. This new proposal came just weeks after the President signed the new Surface Transportation Assistance Act which assured the continuation of operating but at reduced levels. What impact will this proposal have on Metro operations and what adjustment in fares would be required to accommodate the lost revenues?

Response: The impact of this proposal would be too substantial to place the full burden on the rider or on the local taxpayer. A $13.5 million reduction in FY 1984 Federal operating assistance would require either an 8 percent revenue increase or a 6.5 percent increase in operating assistance from the local jurisdictions. It should be noted that to achieve an 8 percent revenue increase in the Authority's FY 1984 Budget fares would have to increase 10-11 percent on July 1, 1983 in addition to the 12-15 percent fare increase scheduled for April 1983.

FARES

Senator Chiles: Metro is planning to implement an increased fare schedule in the next several weeks. How much will the new fares raise in revenues, what percentage increase will they represent for an average ride, what will their impact be on ridership? and when exactly will they go into effect?

Response: It is projected that the contemplated April 1983 fare increase will produce $4 million in FY'83 and $16 million in FY'84. Average fares will increase by about 12-15 percent and are expected to result in an annual ridership loss of between 6-7 million trips. It is planned that the increase will become effective in early April 1983.

CAPITAL PROGRAM

Senator Chiles: The President's budget proposes $230 million for Metro construction compared to the $375 requested by Metro. Together with the additional $45 million of UMTA funding that is proposed, the construction program will fall about $100 million below the requested level. Is Metro seeking any additional funding through the jobs bill legislation now under consideration to help make the short fall? If not, why not?

Response: The Authority is pursuing additional funding under the so-called jobs bill legislation. In fact, Senator Mark Hatfield has introduced legislation, S.484, which would provide an additional $10 million in Stark-Harris funds (P.L. 96-184) for Metrorail construction. That measure is scheduled for mark-up by the Senate Committee on Appropriations on Monday, March 7.

RESERVE FLEET

Senator Chiles: In addition to the 12% operating reserve fleet, Metro has 250 buses mothballed in an off-line reserve. Many of these buses are being cannibalized for spare parts. What are the ultimate plans for this mothballed fleet?

Response: In the past, Metro had a bus cannibalization program. However, this program was discontinued several years ago. Cannibalization is only performed when a bus is totally demolished by a fire or severe accident.

The reserve fleet is needed to support our operation when bus availability drops at a level lower than the peak requirement. Example: In the summer of 1982, our fleet suffered a substantial deterioration due to mechanical problems and personpower shortage, at that time the utilization of 85 buses from the reserve fleet was mandatory to maintain service. The reserve fleet was created during the 1979 "Gasoline Crisis". In addition to the support to WMATA, the buses have also been used to support transit operations in New York City, Philadelphia, and Pittsburgh.

Senator Chiles: If these buses can't be rehabilitated, why aren't they sold?

Response: Metro awarded a contract to Blitz Corporation to rehabilitate 210 buses from the reserve fleet. The remaining buses are required to support operations.

Senator Chiles: What does it cost each year to store, guard, insure, rent and maintain the facilities where they are parked?

Response: The buses are stored at two locations which are Metro property, therefore, there is no direct cost for rent of the land.

Annual Cost -	Security Guard	$52,500
	Insurance Premium	7,380
	Maintenance & Utility	6,000
	TOTAL	$65,880

PEAK FLEET

Senator Chiles: What is the A.M. and P.M. peak bus fleet that Metro had on the road each day? Please give this data for Fiscal Year 1980, 1981, 1982, 1983 and projected for 1984.

Response: The table below show the peak period bus requirements for the specified years.

	AM	PM	MAXIMUM SCHEDULED
FY 1980	1586	1578	1603
1981	1548	1541	1550
1982	1525	1514	1530
1983	1498	1475	1506
1984	1422	1414	1435

BUS REHABILITATION

Senator Chiles: Metro has a contract to rehabilitate 620 buses over a 3-year period with the first group of these newly rehabilitated buses to be delivered in July. The cost of rehabilitating new buses of approximately $80,000 compares favorably to the $150,000 cost of a new bus. Who does Metro contract with for the bus rehabilitation?

Response: WMATA is contracting with Blitz Corporation of Chicago, Illinois. WMATA has a planned program to rehabilitate approximately 600 buses over the next three years, however, WMATA presently has only 210 of these buses under the present contract. This contract provides for an option to rehabilitate an additional 50 buses. The first group of the rehabilitated buses are scheduled for delivery in June 1983.

Senator Chiles: Was this a competitive procurement, and, if so who are the other bidders and why were they rejected?

Response: This was a competitive procurement. The other bidders were NIMCO Company and the joint venture, LBJ-Dickenson. A Technical Evaluation Committee was established to determine the compliance degree with technical criteria, minority business enterprise consideration and ability to meet contractual requirement. The committee determined that the Blitz Corporation provided greater responsiveness in all of these areas.

Senator Chiles: The Florida State Department of Transportation contracts with the Jacksonville Transit Authority to rehabilitate buses for $6,000 to $12,000. Why does it cost Metro almost five times as much to get its buses rehabilitated?

Response: The bus rehabilitation work provided by Blitz consists of, but is not limited to, the following items:

- All new electrical harness.
- New bulkheads.
- Engines and transmissions rebuilding.
- Axles rebuilding.
- Painting bus exterior.
- Interior ceiling panels replaced.
- Seats redone.
- Tinted safety side windows.
- Safety spring brake system.
- New flooring.

The Jacksonville Transit Authority has received six buses for rehabilitation, and is presently negotiating a contract to do fourteen more. Only one bus has been completed to date. Their contract is "cost plus" for parts and materials, and a fixed fee for labor. Although one bus has been completed to date, no final cost has been computed as of March 7, 1983. However, JTA estimates that the estimate for the work is between $60-70,000 per bus.

Senator Chiles: Could Metro rehabilitate buses in-house more cheaply and could such a program create badly needed jobs here in D.C.?

Response: Conceptually, Metro could rehabilitate buses in-house more cheaply thereby possibly generating additional jobs in D.C. Presently, and for the foreseeable future, Metro does not have nor will it have facilities and equipment capabilities which would be required to handle a major rehabilitation program.

At present we are involved in a program of minimal refurbishment of our Flxible 8000 series buses. Under this program limited numbers of engines and transmission are overhauled and supplemented significantly by outside contractor services.

Senator Chiles: What is the life of a newly rehabilitated bus? What is the useful life of a new bus? How many years does Metro use to fully depreciate a new bus?

Response: The useful life of a newly rehabilitated bus is estimated to be seven years, compared to twelve years for a new bus. In accordance with UMTA guidelines, WMATA considers a bus to be depreciated in nine years.

WILL NEW RAIL CARS MEET SPECIFICATIONS?

Senator Chiles: WMATA's contract with Breda Costruzioni Ferroviarie, S.P.A., an Italian transit car builder contains no provision for preparation of a comprehensive test plan to assure compliance with contract specifications. The contractor has submitted a list of tests which do not include details regarding testing methods or specify on what basis the tests would be evaluated, and therefore are not considered an adequate test plan. According to GAO, a test plan should identify what tests will be conducted, who will perform specific tests, the time needed for each testing phase, and corrective action to be taken if performance risks are identified.

What are WMATA's plan regarding the preparation of a comprehensive test plan clearly identifying tests needed to be performed to ensure that safety, reliability and contractual requirements are met?

Response: WMATA has received the contractor's test plan. Detailed test procedures have also been submitted and Breda is in the process of their finalization to reflect WMATA review comments.

DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

STATEMENT OF HOWARD DUGOFF, ADMINISTRATOR

ACCOMPANIED BY LEON D. SANTMAN, DIRECTOR, MATERIALS TRANSPORTATION BUREAU

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Next we have here from the Special Research and Programs Administration, Howard Dugoff, Administrator of the Research and Special Programs Administration.

We are glad to hear you now. Perhaps you have some new research tips as to how you can make a mass transit system operate when it snows. We will include your statement in full in the record. You can summarize it any way you feel best.

INTRODUCTION OF ASSOCIATE

Mr. DUGOFF. Thank you, Mr. Chairman.

I am delighted to be here today to present the fiscal 1984 appropriations request for the Research and Special Programs Administration.

I am accompanied by Mr. Leon D. Santman, who is the Director of the Materials Transportation Bureau, the office within the Research and Special Programs Administration that is responsible for administering our particularly important program in hazardous materials transportation safety.

As you suggested, Mr. Chairman, I intend to present a summary version of the statement which we have submitted for the record after which Mr. Santman and I will be pleased to respond to any questions you may wish to put to us.

BUDGET REQUEST

Last year we performed a careful and comprehensive review of all of the RSPA programs and resources to provide a basis for difficult decisions we had to make to terminate or curtail activities and reduce staff in order to accommodate severe budgetary constraints.

In our hearing before this subcommittee, Mr. Chairman, you expressed strong concern over the staff cuts being contemplated, particularly in the Materials Transportation Bureau.

Subsequently, as reported to you in his letter of May 27, last year, by former Secretary Lewis, we decided to limit the Materials Transportation Bureau staff cuts to approximately 10 percent, a reduction we were able to absorb with no significant adverse impact on our safety program activities.

At this time I would like to state for the record that no additional cuts are planned now or contemplated for the foreseeable future. The Department is strongly committed to transportation safety and to maintain the quality of the hazardous material safety programs conducted by RSPA.

Our fiscal 1984 budget request is for approximately the same total as the fiscal 1983 appropriation. It reflects a significant shift in distribution of resources, however, from research and development to operations, the consequence of our determination to accommodate the increasing cost of our hazardous materials safety program activities in a no-growth budget.

SIX MAJOR OBJECTIVES

We are pursuing the following major objectives:

First, to foster development of a uniform nationwide hazardous materials regulatory scheme through State adoption of the Federal standards and to encourage the States to assume appropriate enforcement responsibilities.

Second, to eliminate unwarranted and unnecessarily burdensome regulations.

Third, to improve DOT preparedness for national emergency mobilization.

Fourth, to improve data and methodology, both for regulatory analysis and for emergency preparedness planning.

Fifth, to maintain and enhance our standing capability to provide expert and timely research and analysis support to all departmental elements under the working capital fund of our Transportation Systems Center.

Sixth, to develop ideas for practical and equitable user charge mechanisms for safety training, radio navigation, and transportation statistics and information.

The essence of our objectives for the hazardous materials transportation safety program is to forge a sound and sensible partnership with State and local governments with each government entity performing the functions most appropriate to it.

During 1982 we made considerable progress toward effecting such a partnership, through expansion of our State hazardous materials enforcement development program under which we furnish technical and financial support to States that have provided for adoption of the Federal regulations.

This assistance enables the States to develop their own enforcement capability, thereby increasing the total resources devoted to safety enforcement at a fraction of the cost that would be required to expand the Federal enforcement staff and providing an incentive for State adoption of the Federal regulations leading to a uniform nationwide standard of safety.

In 1982 the program was expanded from 5 to 16 States. We plan further expansion to 28 States in fiscal years 1983 and 1984.

In the pipeline safety area we have continued to develop our relationship with the States through the Federal-State program for natural gas pipeline safety whereby States that undertake to establish regulatory and enforcement authority for intrastate natural gas pipelines are reimbursed for up to 50 percent of expenses incurred in running their program.

The grants are extremely effective in increasing national resources devoted to assuring the safety performance of pipeline operators. In 1981, 51 participating State agencies inspected nearly 3,600 operators and investigated over 350 accidents, a tremendous increase over what the Federal Government could accomplish alone.

The fiscal year 1983 RSPA appropriation provides $3.5 million for pipeline safety program grants to the States. This amount permits us to provide the States with an average 30-percent reimbursement of their aggregate expenses.

We are requesting the same amount for fiscal year 1984. We believe that this amount will provide sufficient incentive to assure a continuing high level of State enforcement activity and safety performance at this time.

REGULATORY REFORM

Another of our continuing priority objectives is to reduce the regulatory burden on industry to the maximum extent consistent with public safety. This process of regulatory reform includes projects designed to eliminate obsolete or otherwise unnecessary regulations and to revise existing regulations so that they are more easily understood and thus more easily complied with.

Perhaps the most significant aspect of this program is our effort to shift wherever practicable from design specification to performance-oriented standards to allow industry greater compliance flexibiity and to encourage technological innovation.

This year we published an advance notice of proposal concerning standards for hazardous materials containers. Within the broad requirements of the proposed standards, manufacturers would be free to exercise design and production ingenuity to produce packaging that is cost effective, as determined by the marketplace, and safe, as determined by the performance standards which it would have to meet.

Another of RSPA's important responsibilities is to assure the continued smooth operation of the Nation's civil transportation system in the event of an emergency.

As we reported to the subcommittee last year, RSPA is deeply involved in the work of the President's Emergency Mobilization Preparedness Board. We conduct an annual training program for the Department's emergency personnel cadre and for the private sector participants in our National Defense Executive Reserve.

We are also in the process of developing technical data and analytical tools which can be used to assess potential damage to critical parts of the transportation system under a variety of crisis situations in order to plan for effective and timely responses to such crises.

TRANSPORTATION SYSTEMS CENTER

Through our Transportation Systems Center we provide the Department of Transportation with research and analysis support in such diverse areas as systems engineering and evaluation, economic impact analyses, technical project management, R&D program planning, technology transfer, and information and data management.

As I believe you are aware, Mr. Chairman, funding for the Transportation Systems Center's support activities is not provided directly through the RSPA appropriation. Rather, the individual project sponsors contribute to the center's working capital fund through general working agreements funded under their appropriations.

During the past year the Transportation Systems Center effected substantial realinement in its internal organization structure to accommodate the continuing evolution of requirements for research and analysis support within the Department.

These changes will permit the center to continue effectively to focus application of its diverse and expert capabilities upon the current and emerging priority DOT needs.

The fiscal 1983 RSPA appropriation provided $3.15 million for our program of university research. This amount permitted us to complete the process of refocusing that program to emphasize research areas of highest priority to the Department.

We have limited our fiscal 1984 request for the university program to $1.5 million. This amount will allow for the continuation of important ongoing projects, but not for any significant new starts during the budget year.

In concluding, Mr. Chairman, I would like to reiterate the Department's commitment to the programs administered by the Research and Special Programs Administration.

Our safety mission is paramount and will not be compromised.

Mr. Santman and I will be pleased to answer any questions you may have for us at this time.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Dugoff. Your prepared statement will appear in the record at this point.

[The statement follows:]

STATEMENT OF HOWARD DUGOFF

February 22, 1983

Mr. Chairman, and Members of the Subcommittee, it is my privilege to appear before you today to present our request for the Research and Special Programs Administration (RSPA) appropriation for FY 1984.

In this statement, I will briefly review some relevant budgetary and organizational history, highlight some of our major recent accomplishments, and discuss our principal objectives and program plans for FY 1984 and beyond.

BACKGROUND

In FY 1982, we undertook a comprehensive review of all RSPA programs and resources, which provided a basis for difficult decisions to terminate or curtail many activities within RSPA and to streamline the RSPA organization.

We embodied these decisions in a major organizational realignment effective July 26, 1982. The Offices of the Associate Administrators for Transportation Programs and Policy, Plans and Program Management were abolished and all but one of the programs they administered, materially curtailed, were transferred to a new Office of Program Management and Administration. The total number of full time permanent RSPA personnel staffing the new Office of Program Management and Administration is eighteen compared with a total of 65 who staffed the organizational elements that were eliminated.

One office that previously reported to the Associate Administrator for Transportation Programs, the Office of Emergency Transportation, was reassigned to report directly to the Administrator. That action, and a decision to limit staff cuts in the office to a minor reduction of clerical personnel effectively compensated by increased use of ADP and word processing equipment, reflected our strong programmatic commitment to ensure civil preparedness to provide necessary transportation service in the event of national emergency.

Similarly, the organizational status and structure of the Materials Transportation

Bureau, the Departmental element delegated primary responsibility for assuring safety in the transportation of hazardous materials, remained undiminished in the RSPA realignment. Lengthy and careful deliberation, involving extensive interaction with concerned constituency groups representing both industry and state and local government, preceded our final decisions as to the extent and nature of MTB staff reductions necessary in light of the imposed budgetary constraints. As discussed in Secretary Lewis' letter of May 27, 1982 to the Subcommittee Chairman, the eventual RSPA realignment resulted in the elimination of only 12 MTB permanent staff positions, less than 10 percent of the overall total, and in no significant diminution of programmatic activity.

In light of the particular concern expressed by the Subcommittee last year over more extensive reductions in MTB personnel being considered at that time, I would like to state for the record that no additional cuts or changes in MTB's internal structure are planned now or contemplated for the foreseeable future. The Department is unequivocably committed to transportation safety and to maintaining the quality of the hazardous materials safety programs conducted by RSPA.

Our FY 1984 budget request is for approximately the same total as the FY 1983 appropriation. It reflects a significant shift in distribution of resources, however, from Research and Development to operations, the consequence of our determination to accommodate increasing costs of critical hazardous materials safety program activities in a no-growth budget.

RSPA GOALS AND OBJECTIVES

Consonant with our continuing commitment to the purposes of our delegated statutory mandates, and to the fundamental Administration goals of restoring the vitality of the national economy and reducing the size and pervasiveness of the Federal Government, we are pursuing the following major objectives in the RSPA program:

- Foster development of a uniform, nationwide hazardous materials regulatory scheme through state adoption of the Federal standards; encourage states to assume appropriate enforcement responsibilities.
- Eliminate unwarranted and unnecessarily burdensome regulations.
- Improve DOT preparedness for national emergency mobilization.

- Improve data and methodology for regulatory analysis and emergency preparedness planning.
- Maintain and enhance a standing capability to provide expert and timely research and analysis support to all Departmental elements under the Working Capital Fund of our Transportation Systems Center.
- Develop user charge mechanisms for safety training, radionavigation, and transportation statistics and information.

I will now discuss some of RSPA's activities in more detail, highlighting noteworthy recent achievements and indicating the direction of our future efforts.

HAZARDOUS MATERIALS TRANSPORTATION SAFETY

The essence of our objectives for the hazardous materials transportation safety program is to forge a sound and sensible partnership with state and local governments. An effective nationwide regulatory program requires just such a partnership, with each government entity performing the functions most appropriate to it. The single most important ingredient for achieving inter-governmental sharing of regulatory responsibility is a national set of transportation safety regulations which are uniformly applied and enforced.

During 1982, we made considerable progress towards effective partnership through expansion of our State Hazardous Materials Enforcement Development program. Initiated in FY 1981, the program is designed to encourage states to assume more responsibility for hazardous materials transportation enforcement within their jurisdiction. RSPA furnishes technical and financial support to states that have provided for adoption of the Federal regulations. This assistance enables states to develop their own enforcement capability, thereby increasing total resources devoted to safety enforcement at a fraction of the cost that would be required to expand the Federal enforcement staff and providing an incentive for state adoption of the Federal regulations leading to a uniform nationwide standard of safety. In 1982, the program was expanded from five to sixteen states; we plan a further expansion to 28 states in FY 1983 and 1984. Individual contracts with state participants are of three years' duration. Our funding assistance will peak in FY 1984, with decreasing amounts committed through FY 1987. We anticipate that the State Hazardous Materials Enforcement Development program will be coordinated closely with the grant program for state motor carrier safety enforcement which the Congress recently established by passage of the Surface Transportation Assistance Act of 1982.

In the pipeline safety arena, we have continued to develop and expand on our relationship with the states through the Federal/state program for natural gas pipeline safety. States that undertake to establish regulatory and enforcement authority for intrastate natural gas pipelines are reimbursed for up to 50 percent of expenses incurred in running their programs. Participating states have adopted the Federal gas pipeline safety regulations and enforce the standards with sanctions substantially the same as those employed by RSPA. The program is extremely effective in increasing national resources devoted to facilities inspection and enforcement and in assuring the safety performance of pipeline operators nationwide. In 1981, 51 participating state agencies inspected nearly 3,600 operators and investigated over 350 accidents, a tremendous increase over what the Federal Government can accomplish alone.

The FY 1983 RSPA appropriation provided $3.5 million for pipeline safety program grants to the states. This amount permits us to provide the states with an average 30 percent reimbursement of their aggregate expenses. We are requesting the same amount for FY 1984. We believe this will provide sufficient incentive to assure a continuing high level of state enforcement activity and safety perfrmance in this time of extreme budgetary constraint.

Another of our continuing priority objectives is to reduce the regulatory burden on industry to the maximum extent consistent with public safety. This ongoing process of regulatory reform includes projects designed to eliminate obsolete or otherwise unnecessary regulations, and to revise existing regulations so that they are more easily understood and thus more easily complied with. Perhaps the most significant aspect of this program is our effort to shift wherever practicable from specification to performance-oriented standards to allow the industry greater compliance flexibility, to encourage technological innovation, and to achieve cost savings. In fiscal year 1982, we published an Advanced Notice of Proposed Rulemaking concerning performance standards for hazardous materials containers smaller than 110 gallons. Within the broad general construction requirements of the performance standards, a manufacturer would be free to exercise design and production ingenuity to produce a packaging which is both cost-effective, as determined by the marketplace, and safe, as determined by the performance standard which it would have to meet.

Additional regulatory reform projects planned for 1983 and 1984 include completion of the revision and simplification of the regulations applicable to transportation of explosives, and reorganization of the pipeline safety regulations according to pipeline size, type, and function.

EMERGENCY TRANSPORTATION

One of RSPA's most important responsibilities is to assure the continued smooth operation of the Nation's civil transportation system in the event of an emergency, including the prevention or mitigation of service disruptions caused by natural disasters or man-made crises and facilitation of transportation in support of defense mobilization.

As I reported to the Subcommittee last year, RSPA is deeply involved in the work of the President's Emergency Mobilization Preparedness Board. The Board's 12 working groups, involving representatives from throughout the Federal Government, deal with the entire spectrum of emergency preparedness. In 1982, the Board developed a Presidential National Security Decision Directive on mobilization policy and a related draft plan of action. RSPA will continue to participate in the approval and implementation process in the coming year.

RSPA conducts an annual training program for the Department's emergency cadre and for the private sector participants in our National Defense Executive Reserve including simulated emergency situations which allow participants to learn how the Department's emergency plans function and what actions are required for their successful implementation. Planning for emergencies requires accurate, meaningful data, particularly concerning the materials that must be moved in an emergency and whether our transportation resources will be sufficient to meet the demand. RSPA has developed and tested a demand-capacity model designed to provide this information. We are also in the process of developing technical data and analytical tools which can be used to assess potential damage to critical parts of the transportation system under a variety of crisis situations in order to plan for effective and timely responses to such crises.

RESEARCH AND ANALYSIS

Through its Transportation Systems Center (TSC), RSPA provides the Department of Transportation with core technical support in such diverse areas as systems engineering and evaluation, economic impact analyses, technical project management, R&D program planning, technology transfer, and information and data management.

TSC's program agenda continues to reflect directly overall DOT priorities and objectives. In 1983, particular emphasis is placed upon safety R&D and information management and analysis supporting policy decisions. Especially noteworthy projects include aviation safety analysis and work on modernization of the Air Traffic Control System for the Federal Aviation Administration, crash avoidance and crashworthiness research for the National Highway Traffic Safety Administration, track safety research for the Federal Railroad Administration, and development of advanced Command, Control and Communications systems for the U.S. Coast Guard. Work on all of these important programs will continue during FY 1984.

During the past year, TSC effected substantial realignments in its internal organization structure to accommodate the continuing evolution of requirements for research and analysis support within the Department. These changes will permit the Center to continue effectively to focus application of its diverse and expert capabilities upon current and emerging priority DOT needs.

The FY 1983 RSPA appropriation provided $3.15 million for our Program of University Research. This amount permitted us to fund the new starts deferred from FY 1982 and complete the process of refocussing the program to emphasize research areas of highest current priority to the Department, i.e., regulatory reform, transportation industry structure and productivity, transportation safety and maritime policy. In order to accommodate the increasing costs of critical Hazardous Materials Safety Programs discussed elsewhere in this testimony, we have limited our FY 1984 request for the University Program to $1.5 million. This amount will allow for the continuation of important ongoing projects but not for any significant new starts during the budget year.

We are requesting approximately $1.1 million for R&D support for Telecommunications and Statistics and Data. Our Telecommunications program supports the development of data and methodology underpinning Departmental radionavigation policy decisionmaking. Key ongoing projects include development of the Federal Radionavigation Plan and a joint Department of Defense/Department of Transportation recommendation on the future mix of radionavigation systems; economic analysis of contemplated navigation system alternatives, including the impact of user charges; and analysis and testing of the feasibility of civil use of the DOD NAVSTAR GPS satellite navigation system.

Under the Statistics and Data Program, RSPA bears responsibility for overall planning and coordination of Departmental statistics and information activities. The requested $211,000 appropriation also covers the cost of publication and distribution of the useful and popular annual DOT National Transportation Statistics summary.

CONCLUSION

In concluding, Mr. Chairman, I would like to reiterate the Department's commitment to the programs administered by the Research and Special Programs Administration. Our safety mission is paramount and will not be compromised. I will be pleased to answer any questions you may have.

HAZARDOUS MATERIALS RULEMAKING HEARINGS

Senator ANDREWS. Your justification materials for the Materials Transportation Board's operations reflect a reduction for rulemaking. Some concern might be in order over a 25-percent decrease based on your holding fewer public hearings on hazardous materials rulemaking.

Why don't you want to hold these hearings?

Mr. DUGOFF. The program of activities we plan in the rulemaking arena during the next 2 years does not involve a significant number of potentially controversial rulemaking proceedings.

In the past several years, and currently, we have been engaged in several particularly controversial activities which we accordingly felt warranted public hearings to permit people to air and discuss their strongly held views in a public arena.

We do not anticipate that the particular proceedings that will be pursued in the 1984 fiscal year will be of that controversial character. So we are seeking a reduction of $10,000 from the $40,000 level which we had programed in 1983. This is quite a modest level of public hearings in any event.

Senator ANDREWS. If rulemakings are needed, then you will come back for a supplemental or will you take it out of some other place?

Mr. DUGOFF. I am extremely certain that there will be no emerging needs for hearings in the rulemaking proceedings we envision that year.

UNIFORM NATIONAL REGULATIONS

Senator ANDREWS. Will your shop be included as part of the new Federalism initiative giving States expanded authority over transportation of hazardous material?

Mr. DUGOFF. Mr. Chairman, I think I can fairly say we have been engaged in a process which in a significant degree foreshadowed the more general Federalism initiative.

The effort I summarized in my statement, to attempt to create a situation whereby a uniform national standard for hazardous materials transportation would be embraced and enforced by the States, is in my view a precursor to the more general approach to Federalism.

We have been trying to implement this approach for several years, largely out of a conviction that the State governments are far more effectively positioned to enforce regulations of this nature as they apply to the highway mode than is the Federal Government.

So, we visualize our program phasing very naturally into a more general effort toward Federalization.

TANK CARS

Senator ANDREWS. Do you think it makes sense for each State to determine how those tank trailers should be protected as they roll through the separate States?

Mr. DUGOFF. In general, Mr. Chairman, we believe that it makes more sense to develop a set of uniform national regulations that would stipulate requirements for tank truck design.

To be sure, there are certain specific and special local circumstances that upon occasion warrant some special local requirement, but in general it is our view that the fundamental body of regulations dictating equipment performance characteristics should be stipulated uniformly on a national level.

It is to that end that we are seeking to persuade the States to embrace the Code of Federal Regulations as their own, and apply them uniformly for both interstate and intrastate transportation across the board.

Senator ANDREWS. On that note I suspect that you then are wholeheartedly in favor of national regulations on these tank cars, so that we put the proper headshields and other protections in place and require that on a national basis?

Mr. DUGOFF. We have, Mr. Chairman, already made very substantial progress in a uniform national program to upgrade the performance of tank cars. We have issued regulations that will require such equipment as headshields and shelf couplers and advanced insulation installations in all tank cars.

Senator ANDREWS. You have done that now?

Mr. DUGOFF. Yes; we have.

Senator ANDREWS. So there is now a national regulation?

Mr. DUGOFF. There is now a national regulation requiring such equipment in the construction of all new tank cars.

RETROFITTING REQUIREMENTS

Senator ANDREWS. What about retrofitting?

Mr. DUGOFF. We have issued a standard that requires retrofitting a full complement of such equipment on the larger family of tank cars and which requires retrofitting of shelf couplers on the smaller class of tank cars currently in service.

Right now we are engaged in the final phases of this program which is a consideration of what specific requirements are appropriate and necessary and warranted on a cost-benefit basis so far as retrofit for the small tank cars.

That final phase of the overall program is currently in progress. We hope to bring it to fruition before too long. But, in general, we have virtually completed the job of developing and implementing a set of national uniform requirements for tank cars. That is a major project on which we worked with the Federal Railroad Administration over the last several years, responding to a lot of public concern and some very constructive suggestions from the National Transportation Safety Board.

Senator ANDREWS. Wasn't lack of headshields and shelf couplers the major cause of hazardous materials rail car leakage in derailments?

Mr. DUGOFF. We made a determination——

Senator ANDREWS. Can you say yes or no?

Mr. DUGOFF. These devices are warranted. Their lack was identified as a major cause of damage.

We have now taken action to see that they are installed in all cars and, consequently, this has eliminated them as a major cause of damage.

Senator ANDREWS. You said, if I recall what you said correctly, in all newly manufactured cars they must have shelf couplers and these kinds of headshields. You waffled all over the place on retrofitting.

Have you issued a rule forbidding the transportaton of substances such as vinyl chloride unless they are being transported in tank cars having these shelf couplers?

Mr. DUGOFF. Let me try to be more precise. We have in fact issued a rule requiring retrofitting of all of this equipment in the larger tank cars. That rule is on book and in place and is being enforced.

Senator ANDREWS. What size is large?

Mr. DUGOFF. Let me ask Mr. Santman if he can give you a characterization.

Mr. SANTMAN. The large ones are roughly in the 33,000-gallon size.

Senator ANDREWS. So any tank car now on the railroads that I would see if I happened to drive along a railroad track that is a 33,000-gallon or larger tank car would have shelf couplers and would have headshields?

Mr. DUGOFF. That is my understanding.

Mr. SANTMAN. Yes; if it is engaged in hazardous materials transportation.

Senator ANDREWS. Fine. So, anytime I see a tank car that is 33,000 gallons or higher, it is allowed to be used in the transport of this kind of hazardous materials right now without having those safety features on it? That is fine.

Mr. DUGOFF. That is correct.

SMALL TANK CARS

Senator ANDREWS. You have in effect said we are not going to require headshields or shelf couplers on the small tank cars that are used to haul water and other innocuous substances. I would assume then in the wisdom of your group you have said none of these smaller non-protective tank cars may be used to haul such hazardous materials, because if we have a 20,000-gallon tank car in between two mammoth tank cars and a 20,000-gallon tank car has hazardous materials in it, you could have one heck of a bang if it is not protected?

Mr. DUGOFF. That is correct, Mr. Chairman.

We have already taken action to require that even the smaller cars be outfitted with this equipment starting now in respect to new manufacture. We have also acted already to require retrofitting of shelf couplers in these cars.

The only action of a character we are discussing that we have not yet taken and have not yet determined is necessary is to require the retrofitting of insulation and headshields in the smaller class of cars. We are working on that right now.

Senator ANDREWS. That is wonderful. Let us get back to what counts then.

How much of the hazardous materials are now being transported in large cars where they are transported safely and how much are transported in small tank cars that have not been retrofitted?

Mr. SANTMAN. I am not prepared to give you a precise figure today, but most of it is in the larger cars.

In addition to that, the smaller cars have a better performance record over the years in accidents and most of those small cars have some form of insulation on them now.

So, one of the questions embodied in the retrofit of small cars with insulation involves the question of taking off the old insulation and putting new insulation on.

HEADSHIELDS

Senator ANDREWS. I am not worried about the insulation so much as I am worried about the headshields and shelf couplers.

Mr. DUGOFF. Shelf couplers are a requirement. What the industry prefers in their form of construction is to put the headshield in as part of insulation. There is a marriage of interests between the headshield and the insulation question.

Senator ANDREWS. Here is a little old tank car that looks pretty big loaded with 20,463 gallons of acetic anhydride, placarded "corrosive." It didn't have headshields, didn't have shelf couplers, and got into an accident. It had a hole that allowed the entire contents of the car to be dumped out at the scene of the accident.

Here is a tank car in the train that did have headshields and did have shelf couplers and ended up rolling off the track, but because they were not allowed to impinge on one another, the contents of that tank car, even though it ended up side down in the field and badly bent, was not penetrated.

Mr. SANTMAN. The first picture you showed of the tank car without headshield or without insulation has a rupture in the side?

Senator ANDREWS. That is right.

Mr. SANTMAN. The headshield would not have protected that, nor would the insulation have prevented the puncture represented in that photograph.

Mr. DUGOFF. The shelf couplers would have helped and now these cars are required to have shelf couplers.

UNPROTECTED TANK CARS

Senator ANDREWS. You took the headshield off the acetic anhydride tank car and the structure of the tank car was still inviolate. We could look at these pictures all day, but when are you going to put into effect the simple requirement that all tank cars that are used to transport this kind of material have to have shelf couplers and headshields?

Mr. DUGOFF. Mr. Chairman, we will do that just as soon as we can convince ourselves and demonstrate, document objectively for the record, that the final step toward that end is justifiable.

I want to assert that you are preaching to the converted here. We have for 2 years now been working very diligently to effectuate these types of regulations and we have virtually completed the job of requiring the overhaul of the entire national system of tank cars.

The final step in the process, however, is one where the cost-benefit picture is not quite so clear as it was for the rest, largely because of the reasons that Mr. Santman was discussing, the fact these cars——

Senator ANDREWS. You made the statement earlier to the committee that most of the hazardous substances are transported in the larger tank cars, all of which are now protected.

Mr. DUGOFF. That is correct.

Senator ANDREWS. Then it follows if you are going to use any logic, as the night follows the day, that since there is that capacity in the American tank car fleet, that it would be very simple and no problem for anybody to just put out a regulation saying that if you are going to transport hazardous materials, do it in one of the tank cars that are so protected.

Let the ones that aren't protected haul the nonhazardous materials.

Does this take such great brilliance? Couldn't you issue such a ruling right now?

Mr. DUGOFF. In principle, we could.

Senator ANDREWS. Then say, in effect, no hazardous material is going to be transported in an unprotected tank car?

Mr. DUGOFF. In principle, we certainly could do that, sir, and to be sure we will explore whether that might not be an approach that we could employ to solve the problem quickly.

Senator ANDREWS. If it doesn't work, do you suppose you could provide the committee inside of the next 3 or 4 weeks why it won't work?

Mr. DUGOFF. We can do that.

Senator ANDREWS. If you can't do that kind of action, then who could?

Mr. DUGOFF. We can do that.

Senator ANDREWS. I know you can. That is why I am wondering why you come up and say how great it is that we have the big ones all protected now and I won't see a big tank car on the train without this kind of protection, but then you can't follow through with, "Are these kinds of hazardous substances still transported in nonprotected cars?"

That is when I would come to the conclusion that maybe just a simple addendum saying, "Put the hazardous substances in the protected cars," might do a whole lot of good, since every railroad, every fleet has these kinds of cars.

You know, if you are going to haul sugar, you put it in a different type of car than if you are going to haul bulk grain. I would imagine if you are going to haul a hazardous substance, you would put it in a protected type car.

[CLERK'S NOTE.—The following information was submitted subsequent to these hearings:]

PROPOSED NEW RULES

The Department announced on April 14, 1983 new rules to complete the retrofit of railroad tank cars that carry flammable gases. The rules require that some 3,000 tank cars be equipped with high-temperature thermal insulation, headshields to resist puncture, and large-capacity safety relief valves.

The proposed rules, under development in the Department's Federal Railroad Administration and Materials Transportation Bureau for 2 years, require the retrofit of certain tank cars by December 31, 1986. The revised standards apply to DOT specification 105 and 111 tank cars with a capacity of more than 18,500 U.S. gallons. The cars are used to transport such flammable gases as propane and butane, as well as several other hazardous materials.

DOT is seeking public comment on the proposed regulations, which were published in the Federal Register on April 14, 1983. The deadline for public comments is June 7, 1983.

SUBMITTED QUESTIONS

Senator ANDREWS. I appreciate your testimony. We have a number of other questions that we will ask for the record to make the record more complete. We look forward to your response on this final ruling so that we will nail down for all time the transportation of hazardous substances in protected rail freight cars.

Mr. DUGOFF. Thank you very much.

Mr. SANTMAN. Thank you, sir.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

HAZARDOUS MATERIALS

Senator Andrews: Last year, the Committee indicated that the Secretary should implement a "Federal-State-Local Partnership" to encourage more uniform hazardous materials standards. What has RSPA done in the last year to commence such a partnership?

Response: RSPA has undertaken the development of an intergovernmental partnership built on inherent capabilities of each level of government--Federal, state, and local. This approach involves a program of concerted action in each of four functional areas: rulemaking, enforcement, emergency preparedness, and education; the objective being a balanced program that will result in a nationally uniform set of hazardous materials transportation safety standards promulgated at the Federal level, enforced by Federal and state agencies, and backed-up by sound emergency response capabilities at the local level. The attached document discusses our approach to this matter in greater detail and describes a series of specific actions which we have taken or have in process.

[CLERK'S NOTE.— The document referred to is available for inspection in the subcommittee files.]

Senator Andrews: In what specific areas is there still a need for uniformity?

Response: Hazardous Materials Rulemaking and Enforcement. The primary operational goal of the Hazardous Materials Transportation Safety Program is the promulgation and enforcement of uniform nationwide hazardous materials regulations. This has not yet been achieved. Uncoordinated state and local efforts at regulating hazardous materials transportation safety continue to result in inconsistent or conflicting regulations and enforcement actions which place an increased burden on the industry attempting compliance and thereby contribute to an overall reduction in transportation safety.

This is not to say that there has been no progress in this area. A vast majority of the states have adopted at least some part of the federal transportation regulations and one of the objectives of the State Hazardous Materials Enforcement Development program is the achievement of more widespread state adoption. Also, through the issuance of a series of Inconsistency Rulings, we have been able to establish clear policy guidelines which articulate the safety risks inherent in inconsistent regulations. Thus, while uniformity of rulemaking and enforcement has not yet been achieved, progress toward this goal continues to be achieved.

STATE/LOCAL ASSISTANCE FOR ENFORCEMENT

Senator Andrews: Do you feel that you have improved on state/local assistance for enforcement? In what ways?

Response: Yes. Through our State Hazardous Material Enforcement Development program, we see clear evidence that participating states are increasing the scope and quality of their Hazardous Materials Enforcement efforts. More specifically: (1) Participating states are responding to the need for more clearly identifying the persons and agencies responsible for hazardous materials transportation safety. (Formerly, in some states, there was no clearly defined person or agency responsible for such activities and for coordinating all the various facets of the enforcement effort.); (2) RSPA is providing participating states with training on the Federal hazardous materials standards and on enforcement and inspection techniques; (3) RSPA is providing, on request, technical and management expertise to assist the states in analyzing their needs and setting up their programs; and (4)

RSPA provides hazardous materials inspection and accident data to participating states and facilitates the exchange of such information among the states.

ROLES IN IMPROVING HAZARDOUS MATERIALS TRANSPORTATION

Senator Andrews: What is the private sector role in improving hazardous materials transportation versus what you do?

Response: The Department's role in hazardous materials transportation safety is to implement the policy which Congress declared in enacting the Transportation Safety Act of 1974, "to protect the Nation adequately against the risks to life and property which are inherent in the transportation of hazardous materials in commerce." We perform this role through: (1) promulgation of mandatory safety standards where national uniformity is required and voluntary standards are inadequate; (2) enforcement of those standards through direct Federal inspection activity and support of state enforcement efforts; and (3) information dissemination and education efforts aimed at improving understanding of the regulations, promoting compliance and enhancing emergency response preparedness.

The private sector role in improving hazardous materials transportation safety involves compliance, education, innovation and feedback. The first responsibility of the private sector is to comply with Federal safety standards. This is accomplished through a process of on-going training and monitoring of employee and contractor personnel. Beyond maintaining currently acceptable levels of safety, however, the private sector also contributes to the enhancement of transportation safety through the development and application of new technology. These innovations in packaging, equipment and handling techniques contribute to improvement of safety and reduction of cost, benefits which accrue to both industry and the public. On a short-term basis, these advances are frequently reflected in exemptions to the regulations, a device by which the Department enables industry to take advantage of innovative techniques in advance of regulatory changes. On a continuing basis, many of these industry-produced improvements evolve into "consensus" standards which the Department often incorporates by reference in the hazardous materials transportation regulations. For example, where we have found them to provide a sound way of dealing with a particular safety problem, we have adopted by reference various standards promulgated by such groups as the Association of American Railroads, the National Fire Protection Association, and the American National Standards Institute.

MTB STAFFING

Senator Andrews: Last year, an issue of some concern to the Committee was the possible 20% reduction in MTB staffing. We understand that subsequent to the hearing, the Department decided to hold MTB to a 104 Full Time Equivalent (FTE) level, a cut of 10%. Does the FY 1984 budget maintain this level?

Response: Yes. The FY 1984 budget maintains the MTB staffing ceiling at 104.

SAFETY

Senator Andrews: What is the liklihood of the Department proposing legislation to create a centralized Safety Administration, merging RSPA, NHTSA and safety elements of UMTA and Federal Highways?

Response: It is premature to speculate on the liklihood of creating a new centralized Safety Administration at this time. We need to do a lot more thinking about the pros and cons of such a critical step. We also need to do a lot more talking to the various parties in Congress as well as the affected constituents before such a decision can be made.

Senator Andrews: Would this be desirable, in your opinion?

Response: My opinion will depend in substantial measure on the answers from the studies and consultations we plan with experts and interested parties.

Senator Andrews: If such a "Surface Safety" merger were to occur, what might happen to RSPA's research and development activities?

Response: All of the research and development activities that we are conducting at the present time are vital and are necessary to support critical operational missions. Accordingly, the research and development would continue and would be reasssigned appropriately elsewhere within the Department.

RSPA FUNCTIONS IN TRANSPORTATION OF RADIOACTIVE MATERIALS

Senator Andrews: Are there any plans underway to restructure RSPA's mission by placing its functions outside the Department's purview—in other words, extend responsibility of organizations like Nuclear Regulatory Commission, or Federal Emergency Management Administration.

Response: There are no plans to restructure RSPA's mission by placing its functions outside the Department purview. Agencies like the Nuclear Regulatory Commission and the Federal Emergency Management Administration have their assigned responsibilities as does DOT.

There is a Memorandum of Understanding with the Nuclear Regulatory Commission delineating the respective responsibilities of the Department of Transportation and the Nuclear Regulatory Commission for the regulation of radioactive materials. Generally, the DOT is responsible for regulating safety in the transportation of all hazardous materials, including radioactive materials, and the NRC is responsible for regulating safety in receipt, possession, use, and transfer of byproducts, source and special nuclear materials. The NRC reviews and approves or denies approval, of package designs for fissile materials and for other radioactive materials (other than low specific activity materials) in quantities exceeding Type A limits, as defined in 10 CFR Part 71.

RSPA's relationship to FEMA is one of support when an emergency results from the inadvertent release of hazardous materials in transportation. FEMA provides a single point of accountability for all Federal emergency preparedness, mitigation, and response activities. The Agency is chartered to enhance Federal, state, and local resources devoted to preparing for and responding to the full range of emergencies. Response to hazardous materials transportation accidents is but one element of FEMA's capability to respond to emergencies in general, while the role of RSPA is limited to one of providing technical resource support, leaving the broader Federal role to FEMA. In the hazardous materials safety arena, FEMA provides training, including courses for community-wide emergency response planning, and on the chemistry of hazardous materials and procedures for mitigating the effect of spills. In all cases, FEMA-sponsored training is aimed at reducing the effects of an accident once it occurs. By contrast, RSPA's emergency response training is aimed at prevention of accidents.

SURFACE TRANSPORTATION

Senator Andrews: How is the recently authorized Surface Transportation Act State Grant-In-Aid Program, budgeted by Federal Highways at $10 million, going to be administered? Have you determined how much would go to each state?

Response: The Federal Highway Administration (FHWA) is currently developing plans for implementing this new legislation and has not yet progressed to the point of identifying the amount that any of the the states would be entitled to receive. While RSPA has not been drawn into the planning process, we look forward to entering into discussions with FHWA on the relation between the new Grant-In-Aid Program and the on-going State Hazardous Materials Enforcement Development Program.

NOTE:

Subsequent to these hearings, FHWA, the lead agency, has continued to develop the framework for the implementation of this legislation. RSPA has participated in several discussions with FHWA covering such critical areas as policy, program criteria, funding mechanisms, relationships, etc. This is a most complex program and careful planning is necessary to make sure that it gets off to a good start. Although considerable progress has been made in "fleshing out" the program, additional work needs to be done. We will continue to keep you informed of all significant policy and plans as they develop.

Senator Andrews: Can the Department assure us that the Bureau of Motor Carrier Safety and the Materials Transportation Bureau will work out some joint funding agreement so that RSPA's existing grants-in-aid efforts will be augmented by this new funding?

Response: Under its State Hazardous Materials Enforcement Development (SHMED) program, RSPA furnishes technical and financial support to states that have provided for adoption of the Federal regulations. In return for this assistance, the states develop their own enforcement capabilities. The SHMED program is not funded through grants-in-aid, but through the execution of contractual agreements with the states. Through these contracts, RSPA can apply leverage to state programs which achieve a level of enforcement far in excess of what could be achieved at the Federal level for the same amount. Moreover, the funding available through these contracts provides an incentive for state adoption of the Federal regulations and thereby contributes to the achievement of a uniform national system of hazardous materials transportation safety regulation. Funding for these contracts will peak in FY 1984, with decreasing amounts committed through FY 1987. We anticipate that the SHMED program will then phase naturally into the grant program for state motor carrier safety enforcement which the Congress included in the Surface Transportation Assistance Act of 1982.

PIPELINE SAFETY GRANTS-IN-AID

Senator Andrews: Last year you indicated that the Federal contributions for Pipeline Safety Grants-In-Aid in FY 1982 and 1983 would approximate between 17 and 25 percent. Your statement indicates an average 30 percent rate supported by the FY 1983 level. Will this level hold constant for FY 1984?

Response: The $3,500,000 requested for FY 1984 is the same amount appropriated for FY 1983. We plan to allocate to the participating states at approximately the same dollar levels as for FY 1983. Whether this represents an increase or decrease in the proportionate share of Federal contributions to state programs will, of course, depend on whether state funding levels rise or fall in FY 1984.

Senator Andrews: What level of funding would be necessary to provide a full 50% support level?

Response: For 1983, the 47 states plus the District of Columbia and Puerto Rico requested $5,742,140 to match their planned expenditures for pipeline safety programs. Assuming that their request for 1984 matching funds will be aproximately the same, it would require an equal amount of Federal funds to provide a full 50% support level.

Senator Andrews: What was the last year in which states' support was 50%?

Response: 1981 was the last year in which Federal grant funds matched states on a 50-50 basis.

Senator Andrews: Reportedly, some state laws do not allow state funding for pipeline inspection to exceed the Federal funding level. Furthermore, several states (e.g., Louisiana and Indiana) have indicated that funding problems could cause them to drop or cut back their participation in this program. Which states are involved and have they resolved the problems related to the reduced Federal funding?

Response: In general, all states are affected by Federal reimbursement at less than the maximum of 50% authorized by Congress. With the FY 1982 appropriation of $2,434,000, allocations to states ranged between 13% and 35% of their total program cost and the range of reduced effort reported by states was from 10% to 30%.

States which have indicated a reduced effort, or a possible cancellation of their program, as a result of reduced Federal funds are: Alabama, California, Georgia, Hawaii, Idaho, Iowa, Indiana, Maine, Michigan, Minnesota, Montana, Nebraska, New Mexico, New York, North Dakota, Oregon, Ohio, Pennsylvania, Rhode Island, Tennessee, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

Most states have indicated that they may need to decrease their regulatory activity in one or more areas if Federal funds are not available. For some, it would mean that some categories of operators would not be inspected; other operators would be inspected less frequently; and certain safety regulations would not be reviewed with any operators.

LIQUID PIPELINE GRANT-IN-AID PROGRAM

Senator Andrews: The Hazardous Liquid Pipeline Safety Act of 1979 authorized the establishment of a Liquid Pipeline Grant-In-Aid program. According to a letter to the States, dated December 7, 1982, Materials Transportation Bureau intends to amend the regulations to include coverage of intrastate liquid pipelines in all States, Puerto Rico, and the District of Columbia as of January 1, 1984. Last year, however, you indicated that you were still in the process of determining state interest in such a program. What is your request for FY 1984 for liquid pipelines?

Response: The Department of Transportation did not request any liquid pipeline grant funds for FY 1984.

Senator Andrews: What is the current outlook for State participation in this program? How many States have agreed to participate and how many of these have a significant amount of intrastate liquid pipelines?

Response: Twelve State agencies have legislation on the subject of liquid pipelines. Nine of these have indicated a desire to participate in a Federal/State program. Of the nine, California is the most advanced in its preparation to seek Federal certification. Seven other states are in various stages of establishing legislative jurisdiction. Of the nineteen states that either have jurisdication or are in the process of establishing it, eleven have a significant amount of intrastate liquid pipelines. MTB will concentrate its efforts on getting those eleven states into the Federal/State program.

Senator Andrews: When will the program be implemented?

Response: We currently plan to extend coverage of the Federal regulations to intrastate liquid pipelines on January 1, 1984. This is the final Federal action necessary to permit qualifying states to certify under the program.

Senator Andrews: How will implementation of this program affect Materials Transportation Bureau's workload, staffing and funding requirements if State participation is: Substantial? or, very limited?

Response: There are 230 intrastate liquid pipeline operators. We estimate that they represent a 15 person-year level of inspection effort and states which come into the program will assume responsibility for inspecting these operators. The Materials Transportation Bureau's workload will depend on the amount of state participation. If the top ten to fifteen states with the most operators come into the program, the increase in MTB's workload would be minimal. To the extent that they do not enter the program, and MTB assumes responsibility for inspection of intrastate liquid pipeline operators with the current field inspection staff, there would be a corresponding reduction of the inspection effort in the gas pipeline program.

Senator Andrews: Are you on track with the milestones you set forth in your invitation to the States?

Response: Yes.

PIPELINE RULEMAKING

Senator Andrews: Under your request, pipeline safety rulemaking funding stays constant at the FY 1983 level. Since rulemakings in this important area may be necessary in FY 1984, why are you asking for such a level? What happens if rulemakings are needed?

Response: The request for operations funding to support the mechanics of pipeline safety rulemaking (e.g., public hearings, Federal Register publication costs, etc.) was submitted at the FY 1983 level because we anticipate that the level of effort will remain constant. The subject matter of rulemaking actions, obviously, changes from year to year. However, the procedural costs remain fairly steady. Since we have no plans in FY 1984 to initiate any rulemaking actions which would entail unusually high publication costs or public hearing activities, we have not found it necessary to request any increase in funding for these rulemaking activities.

PAY SUPPLEMENTAL

Senator Andrews: Why is there no FY 1983 pay supplemental requested for the 4% cost-of-living increase?

Response: A pay supplemental is not required because adequate funding is available to cover this increase.

Senator Andrews: Will the necessity of absorbing these costs within the "Operations" activity jeopardize funding for Pipeline Safety and Hazardous Materials?

Response: The Pipeline Safety and Hazardous Materials funding will not be jeopardize because the 4% cost-of-living pay increase will be funded by FY 1982 carryover.

ANNUAL REPORT

Senator Andrews: The Pipeline Safety Act of 1979 and the Natural Gas Pipeline Safety Act of 1968 call for the Secretary to submit Annual Reports to the Congress on Pipeline Safety. Has RSPA submitted the report due last June for Calendar Year 1981? If not, why?

Response: The 1981 Annual Report on the administration of the Pipeline Safety Act was forwarded to the Office of the President in January 1983, and our information is that it has been presented to the Congress. Preparation of this report was delayed as a result of personnel reassignments during RSPA's major reorganization and reduction-in-force in 1982.

REGULATIONS

Senator Andrews: Last year, you reported the existence of an open Docket, HM-166, established to identify regulations for termination or modification, which are unnecessary or obsolete. What results have you experienced this year; which regulations will be affected? Will this approach be continued?

Response: The use of the open Docket, HM-166, enables us to: (1) identify and either terminate or amend regulations found to be duplicative, unnecessary or obsolete; and (2) provide expeditious processing of simple, non-controversial regulatory changes.

During the past year, three Final Rules and five Notices of Proposed Rulemaking were published under Docket HM-166. These have involved provisions in all parts of the hazardous materials regulations. For example, one Notice of Proposed Rulemaking, Docket HM-166N, involves over forty changes to the regulations, including such varied subjects as: (1) exceptions for agricultural operations when transporting less-than-case lots of formulated agricultural chemicals in private carriage; (2) authorization for greater use of DOT Specification 51 portable tanks; (3) authorization for DOT Specification MC 304 cargo tanks to be equipped with the same type of pressure relief devices and fusible discs as DOT Specification MC 307 cargo tanks; (4) deregulation of wine and other aqueous solutions containing 24% or less alcohol by volume; (5) elimination of the need for a permit to load or unload ammonium nitrate fertilizer from a vessel at a waterfront facility; and (6) elimination of the need to provide RSPA with a copy of the test reports on certain fiberboard boxes.

The open docket has proven to be a highly successful procedural approach which we plan to maintain in the future.

REGULATIONS AND AMENDMENTS ISSUED

Senator Andrews: Please provide for the record a listing of major Pipeline Safety and Hazardous Materials Regulations and amendments of the past year.

Response: During 1982, RSPA initiated rulemaking actions affecting 15 regulatory requirements for the transportation of hazardous materials, resulting in the issuance of 7 amendments to existing regulations, 2 new regulations, and 6 notices of proposed rulemaking. A breakdown by category follows:

Amendments

HM-56 Hazardous Materials Regulations. Miscellaneous editorial and minor regulatory changes.

HM-139E Conversion of Individual Exemptions into Regulations of General Applicability.

HM-166 Termination of Regulations Considered Unnecessary or Duplicative--Miscellaneous.

HM-171B use of United Nations Shipping Descriptions.

HM-172 Marking and Record Retention Requirements for Cylinders.

HM-173 Transportation of Electric Storage Batteries.

HM-174 Specifications for Tank Cars.

New Regulations

HM-176 DOT-3AL--Development of a Specification for Aluminum Cylinders.

HM-184 Implementation of the ICAO Technical Instructions for the Safe Transport of Dangerous Goods by Air.

Notices of Proposed Rulemaking

HM-145D Hazardous Waste Manifest-Joint DOT/EPA proposal to adopt requirements for a Uniform Hazardous Waste Manifest.

HM-166 Termination of Regulations considered unnecessary or Duplicative-Miscellaneous.

HM-181 Need for Performance Oriented Packaging Standards.

HM-182 Specification Changes for DOT 17E Steel Drum.

HM-183 Design, Maintenance, and Testing of Containers.

HM-184 Revision of Standards for Polyethylene Containers.

Similarly, in the Pipeline Safety program, RSPA initiated 6 rulemaking actions that provided 5 amended to existing regulations and 1 proposal to amend a regulation.

Amendments

PS-75 Deletion of Pipeline Weld Filter Metal Requirement.

OPSP-37 Deletion of identification requirement for Metal Alloy fittings in Plastic Pipelines.

PS-59 Implements a Damage Prevention Program Requirement.

PS-73 Restates Inspection and Test Intervals.

PS-65 Updates Existing Incorporation by Reference of Industry Specification for Thermoplastic Pipe.

Notice of Proposed Rulemaking

PS-72 Deletes Radiographic Film Retention Requirement.

R&D MANAGEMENT

Senator Andrews: The Committee heard last year of your R&D Review and Evaluation Plan. Please provide the results of the last full year under this new management system, including your "Multi-Year Program Plan," and the "Regulatory Analysis and Review System?"

Response: During the past year, the scope of our R&D activities has been substantially reduced as a result of our program review and evaluation. Our R&D program consists currently of (a) RSPA mission R&D related primarily to hazardous materials transportation safety, emergency transportation and radionavigation policy; (b) University Research; and (c) Departmental mission support through the Transportation Systems Center at Cambridge, Massachusetts.

Multi-Year Plans were used to provide the framework of our review and evaluation of RSPA mission R&D programs. Some examples include: information and analysis, rulemaking, telecommunications and transportation information and statistics. The University Research Program is Departmental in its scope and the emphasis and content of the program reflects the priorities and policies of the Office of the Secretary and the operating administrations. For example, the FY 1984 prospectus shows continued emphasis in safety and regulatory activities and a phasing out of industry analysis work. Because funding is provided at TSC by a Working Capital Fund and program content and emphasis are established through negogiated agreements with the Office of the Secretary and the Operating Administrations, the RSPA R&D review and evaluation system is not applicable. Rather, the plans and technical progress and quality of the programs are reviewed periodically by the sponsoring administrations.

The "Regulatory Analysis and Review System" sets priorities and ensures that R&D activity is responsible to regulatory needs. R&D projects in support of our regulatory program are selected after careful analyses of technical data and future rulemaking actions to determine the nature and scope of additional information required. The capacity to identify regulatory R&D needs was further enhanced last year by integrating the Hazardous Materials Information System function within the same office as the regulatory planning and analysis function.

Senator Andrews: What will be the major studies funded in FY 1983?

Response: In 1983, the two major research areas funded will be in Transportation Regulation and Transportation Safety. We have not yet received any university proposals in the generic research areas. In early spring, various university proposals will be received and evaluated. Selections will be made on the basis of merit. A brief description of each of the university research program's "research areas" follows:

a. Transportation Regulation. Major legislation has been enacted which is having significant effects on airlines, railroads and trucking companies. All the effects cannot be predicted at the time of enactment so that a careful analysis is needed to learn the effects and to explore other prospects for further regulatory reform. Sub-topics include: (1) Deregulation Opportunities, (2) Intermodal Freight Transportation, and (3) Impacts of Regulatory Reform.

b. Transportation Safety. All transportation modes have their safety issues and all are searching for new approaches to safety. This issue is reflected in the following six research sub-topics: (1) Restraint System Usage, (2) Alcohol Safety Research, (3) Biomechanics of Impact Trauma, (4) Analytic Alternative to Multi-variate Exposure Data

Collection, (5) Surrogate Measures for Evaluation of Driver Oriented Countermeasures, and (6) Chemical Cargo Fire Suppression.

c. Transportation Technology. Transportation technology plays a major role in ensuring the continuation of a safe, economical and efficient national transportation system. As we move toward the 21st century, the Department will face a growing need to assess current technologies, develop new technologies and facilitate the implementation of those technologies which serve the Nation's transportation goals. Techniques, methods and tools capable of providing DOT decisionmakers with increased information on current and new technologies are needed to aid in determining expenditures which will optimize the use of limited resources. Sub-topics for research include: (1) Rehabilitation and Maintenance, (2) Control Strategies, (3) Assessment Technology, (4) Artificial Intelligence, (5) Role of Man-in-the-Loop in Automated Control Systems, (6) Advanced Transportation Applications of Image Processing, (7) Fiber-Composites for Bridge Construction, (8) Ultimate Limits to Reducing Delay and Fuel Consumption through Optimum Signalization, (9) Electrostatics and Stray Currents, (10) Mathematical modelling of Oil Spill Behavior, (11) Advanced Transportation/Navigation System, and (12) Leeway Drift Prediction.

d. Transportation Investment and Financing. Transportation policies should promote the economic well-being of the Nation; therefore, it is important to develop information on both the causes and effects of changes in the transportation system, to develop improved methods and analyze issues to aid decisionmakers in considering alternatives for investment of limited resources, and to develop means for encouraging a more rational system of public and private financing of the capital and operating costs of transportation systems. Sub-topics include: (1) Transportation Investment Strategies, (2) Efficiency and Productivity, (3) Foreign Trade, (4) Transportation and Urban/Regional Structure, (5) Contracting for Highway Projects, (6) Port Development, and (7) International Air Cargo Analysis.

e. Transportation Industry. Continuing knowledge on the state of the various transportation industries is needed as a basis for formulating policy alternatives as well as making decisions on the health of the transportation sector. These research areas reflect the issues as well as the concern for what happens under major transportation disruptions:

(a) Transportation Industry Structure;
(b) Maritime Policy;
(c) Intercity Passenger Transportation Demand; and
(d) Analysis of the Impacts of Domestic Transportation Disruptions.

Senator Andrews: Which areas will be reduced under FY 1984 request?

Response: In FY 1984, the generic research areas "Transportation Industry" has been discontinued. The other research areas will be funded on a limited basis due to the budget constraints. Additionally, there will be some studies started in FY 1982 and FY 1983 that will be completed and funds will be needed to finish these contracts. New studies in FY 1984 will be at a minimum.

Senator Andrews: Please furnish a list of all studies underway and their funding levels.

Response: The studies currently underway for the Program of University Research are as follows:

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Atlanta Dr. Edward L. Davis DTRS56-82-C-00035	"Comprehensive Planning for Transportation and Urban Development/Redevelopment: A Case Study of Atlanta"	85,179

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Bowling Green State Dr. Michael W. Pustay DTRS56-80-C-00006	"Intrastate Motor Carriage and Federal Policy Towards Small Community Service"	63,500
Brown Dr. Stella DaFermos DTRS56-80-C-00007	"Multimodal Traffic Equilibrium Network Models and Algorithms"	50,300
Brown Dr. Basil G. Zimmer DTRS56-80-C-00008	"Community Developments and Changing Travel Patterns"	47,562
California at Berkeley Dr. G. Gosling DTRS56-82-C-00020	"Control Strategies and Automated Control of Transportation Systems"	5,000
California at Los Angeles Dr. Kanji Ono DTRS56-80-C-00009	"Nondestructive Evaluation of Longitudinal Rail Force by Acoustic Emission Method"	110,000
California Inst. of Tech. Dr. C. D. Babcock DTRS56-80-C-00010	"Damage Assessment and Confinement in Offshore Pipelines"	68,433
California State at Long Beach Dr. Peter L. Shaw DTRS56-81-C-00012	"Barriers and Bottlenecks to U.S. Exports - The Port Experience"	97,000
Clark College Dr. Larry L. Earvin DTRS56-80-C-00011	"Assessing the Potential for Individual Energy Savings through Coordinated Transit Planning and Neighborhood Business District Development"	48,000
Clark College Dr. Nathaniel Jackson DTRS56-81-C-00013	"Using Transportation Investments to Strengthen Minority Business Development"	51,928
Cornell Dr. Mark A. Turnquist DTRS56-80-C-00012	"Short-Range Operations Planning Models for Transit Systems"	68,596
Cornell Dr. Mark A. Turnquist DTRS56-80-C-00013	"Management of Railroad Car Distribution"	53,774
Dartmouth College Dr. George Kocur DTRS56-80-C-00014	"A Unified Approach to Performance Standards and Fare Policies for Urban Transit Systems"	68,000
Denver Dr. David B. Longbrake DTRS56-81-C-00014	"Factors Affecting Hispanic Accessibility and Utilization of Public Transportation"	82,428
Florida State Dr. Albert Lewis Rhodes DTRS56-81-C-00015	"Household Travel Patterns and Expenditures: Links with Societal Structure"	31,703

UNIVERSITY ~~PRIN. INVES~~TIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Illinois at Urbana Dr. Caroline S. Fisk DTRS56-81-C-00016	"Testing and Implementation of a Traffic Management Model for Detailed Traffic Analyses"	36,415
Illinois at Urbana Dr. Samuel H. Carpenter DTRS56-82-C-00012	"Structural Characterization of Mixes Used As Overlays on Heavily Trafficked Concrete Pavements"	135,000
Indiana Dr. Clinton V. Oster, Jr. DTRS56-81-C-00017	"Commuter Airline Safety"	71,294
Iowa State Dr. Philip Baumel DTRS56-82-C-00021	"Evaluating Alternative Investment Strategies in Solving the Local Rural Road and Bridge Problem"	61,210
Jackson State Dr. Joe King DTRS56-82-C-00036	"The Adequacy of Transportation Facilities in Minority Communities for the Elderly and Low Income Groups: The Problem of Residence and Accessibility"	85,552
Johns Hopkins Dr. Allen C. Goodman DTRS56-81-C-00018	"Linkages Between Port Facilities and Urban Economic Development"	65,679
Kansas State Dr. Eugene R. Russell DOT-RC-92013	"A Community Model for Handling Hazardous Materials Transportation Emergencies"	58,512
Kentucky Dr. Andrew F. Seybert DTRS56-80-C-00016	"Tire/Roadway Interaction and Its Effect on Vehicle Safety Trade-Offs"	66,500
Kentucky Dr. James W. Freeman DTRS56-82-C-00022	"Effects of Transportation Deregulation on Motor Carrier Service in Florida and Arizona"	17,841
Lane College Dr. Nirmalendu Debnath DTRS56-82-C-00037	"Some Economic Aspects of the Effects of Public Transportation on Tax Base and Development of Cities"	10,000
Lehigh Dr. John W. Fisher DTRS56-82-C-00013	"Fatigue Strength of Weathered and Deteriorated Riveted Members"	15,000 45,000
Lehigh Dr. Fazil Erdogan DTRS56-82-C-00014	"Fracture Analysis and Corrosion Fatigue in Pipelines"	50,000 50,000
Massachusetts, Amherst Dr. John Collura DTRS56-81-C-00019	"A Management Information System for Rural Transit Services"	54,101

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Mass. Inst. of Tech. Dr. Fred Moavenzadeh DOT-RC-92016	"Development of Quality Standards and Impact Models for Highway Maintenance"	75,000
Mass. Inst. of Tech. Dr. Yosef Sheffi DTRS56-80-C-00017	"Efficient Data Collection Schemes for Disaggregate Travel Demand Models"	3,200
Mass. Inst. of Tech. Dr. J. Karl Hedrick DTRS56-80-C-00018	"Application of Active and Passive Suspension Techniques to Improve High Speed Ground Vehicle Performance"	90,000
Mass. Inst. of Tech. Dr. Carl Martland DTRS56-80-C-00019	"Strategies for Improving Rail Car Distribution"	5,000
Mass. Inst. of Tech. Dr. David N. Wormley DTRS56-81-C-00020	"Dynamic Performance Characteristics of New Configuration Pantograph-Catenary Systems"	107,087
Mass. Inst. of Tech. Dr. Zenon S. Zannetos DTRS56-81-C-00021	"Development of a Methodology for Industry Analysis"	105,800
Michigan at Ann Arbor Dr. Donald E. Cleveland DTRS56-80-C-00020	"Advanced Transportation Accident Causal Model"	94,020
Missouri at Columbia Dr. Richard G. Hoft DTRS56-81-C-00035	"Optimum Power Conditioning and Motor Combination for Locomotive Traction"	63,311
Morgan State Dr. Isaac Adams, Jr. DTRS56-81-C-00022	"An Analysis of the Effect of Federal Transportation Subsidy Policies on Intercity Travel Behavior"	40,537
New York Poly. Inst. Dr. William M. Crowell DTRS56-80-C-00022	"An Assessment of the Interstate Trade-In Process"	44,992
New York Poly. Inst. Dr. Enrico Levi DTRS56-81-C-00023	"Optimization of the Design of Electric Traction Motor for Railroads and Other Applications"	86,247
North Carolina A&T Dr. Meada Gibbs DTRS56-82-C-00023	"The Impact of Motor Carrier Regulatory Reform upon Shippers and Receivers in Rural and Small Urban Areas"	60,000
North Carolina State Dr. Allen C. Eberhardt DTRS56-81-C-00002	"Investigation of Tire/Pavement Interaction Mechanism"	$65,000
North Florida Dr. J. A. Smith, Jr. DTRS56-80-C-00023	"Minority Participation in the Regulated Motor Carrier Industry"	120,000

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Northwestern Dr. Frank S. Koppelman DTRS56-80-C-00024	"Identification of Conditions for Effective Transferability of Disaggregate Choice Models"	57,707
Notre Dame Dr. Sangchul Bang DTRS56-81-C-00024	"Soil Reinforcement in Soft Ground Tunneling"	9,400
Oakland at Rochester Dr. Y. Y. Hung DTRS56-81-C-00025	"Development of Shearography for Nondestructive Testing of Highway Structures"	79,208
Pennsylvania Dr. W. Bruce Allen DTRS56-80-C-00025	"The Augmentation of Freight Transportation Data Sets"	43,486
Pittsburgh Dr. Bharat Bhargava DTRS56-80-C-00026	"System Structures for Software Reliability in Enroute ATC System"	64,000
Puerto Rico at Mayaguez Dr. Felipe Luyanda DTRS56-80-C-00027	"Highway Conditions and Highway Accidents: A Multivariate Design Model"	98,197
Rensselaer Poly. Inst. Dr. Amir Eiger DTRS56-80-C-00028	"The Development of An Integrated Urban Traffic Control System-Network Simulation Interactive Computer Graphics Program"	42,000
Rice Dr. Duane Windson DTRS56-82-C-00024	"Administrative Impacts of Private Financing Techniques for Urban Transportation"	125,000
Stanford Dr. Oleg D. Sherby DTRS56-80-C-00031	"Development of Ultrahigh Carbon Steels for Transportation Applications"	108,000
Stanford Dr. Boyd C. Paulson, Jr. DTRS56-81-C-00027	"Japanese Urban Evacuation Technologies: Evaluation of Potential for Improving Productivity on U. S. Subway Stations and Guideway Construction"	81,261
Syracuse Dr. Alice E. Kidder DTRS56-81-C-00028	"Shipper/Receiver Mode Choice and Service Availability in Rural Communities"	102,311
Texas A&M Dr. Don E. Bray DTRS56-80-C-00032	"Optimization Study for Ultrasonic Flaw Detection in Railroad Rail"	50,364
Texas A&M Dr. Michael W. Pustay DTRS56-81-C-00029	"Evaluation of the Impact of the Motor Carrier Act of 1980"	78,483

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	CONTRACT TITLE	FUNDING ($)
Texas A&M Dr. Salvatore Malguarnera DTRS56-81-C-00030	"The Quality of Heat Fused Thermoplastic Pipeline Joints"	45,931
Virginia Dr. Rafael M. Inigo DTRS56-80-C-00033	"Application of Image Processing to Vehicle Guidance and Safety"	85,500
Virginia Dr. Les Hoel DTRS56-81-C-00031	"Impacts of Public Transportation Terminals on Land Use and Community Development"	11,745
Virginia Poly. Inst. Dr. E. Scott Geller DTRS56-81-C-00032	"Development of Cost Effective Incentive Strategies for Motivating Safety Belt Usage"	92,000
Virginia State Dr. Perry A. Massey DTRS56-82-C-00025	"A Regional Application of the Unified Mechanism of Travel Model"	53,313
Washington at Seattle Dr. Jerry B. Schneider DTRS56-80-C-00034	"Development of Urban Form Measures to Aid Post-1980 Investigations of Land Use-Transportation-Energy Interrelationships"	35,915
Washington State Dr. Narsingh Deo DTRS56-81-C-00033	"Parallel Processing for Some Large-Scale Network Optimization Problems"	50,897
Wisconsin at Milwaukee Dr. Donald Gerwin DTRS56-82-C-00026	"Organizational Implications of Flexible Automation in the Automobile Industry"	5,000
Worcester Poly. Inst. Dr. Joseph D. Sage DTRS56-80-C-00035	"Shear Strength Characteristics of Soils Subjected to Frost Action"	53,117

PIPELINE SAFETY

Senator Andrews: At one time as many as 31 states agencies acted as agents for MTB inspecting interstate gas pipelines. By the end of 1981, there were only 12 state agencies still acting as agents. How many state agencies currently act as agents for MTB in the inspection of interstate pipelines?

Response: Twelve state agencies currently act as interstate agents for the Materials Transportation Bureau. As the Federal field staff increased during the 1970s, Federal dependence on state personnel to conduct inspections of interstate operators decreased. Violations of the Federal safety standards observed and documented by the state personnel are forwarded to MTB's Regional Offices for enforcement action.

Senator Andrews: How many additional staff years would Materials Transportation Bureau need to assume the same level of inspection activity currently performed by these agents?

Response: By applying the inspection rate of the Federal field force to the level of effort reported by the states, MTB estimates that it would require approximately 1.5 - 2 additional staff years to assume the inspection activity currently performed by the interstate agents.

Senator Andrews: Are you actively encouraging or discouraging the state agencies to act as agents?

Response: MTB is not encouraging state agencies to act as interstate agents. If a state agency not now acting as an agent expresses an interest in assuming those functions, the MTB policy is to accept as interstate agents only those state agencies which have assumed full jurisdiction over all intrastate pipeline operators (including municipal and master meter systems) and are performing their duties at an acceptable level. While not discouraging states to act as agents, MTB maintains that inspection as well as safety enforcement activity over interstate operators is properly a Federal responsibility and that the use of state agencies as interstate agents was meant to provide a stop-gap measure until such time as the Federal enforcement effort was brought up to full strength.

RIF IN MATERIALS TRANSPORTATION BUREAU

Senator Andrews: At these hearings last year, the Subcommittee was told that the Pipeline Safety Program staff would be severely cut and that several regional offices were under consideration to be closed. How many Pipeline Safety Program staff were affected by the RIF which took place last year, including those converted from permanent full-time to part-time and those reassigned to a different job?

Response: The RIF which took place in July 1982 affected only those elements of the Pipeline Safety Program which were located in the Washington Headquarters. No regional offices were closed, nor were there personnel reductions in any of those offices. In Washington, the Pipeline Safety Program was reduced by six positions, two of which were vacant at the time. Of the four incumbents affected, two retained permanent full-time employment with the Materials Transportation Bureau through displacement and two obtained permanent full-time employment with other agencies.

MTB PERSONNEL

Senator Andrews: Are all authorized positions now filled? And, if not, why?

Response: The Materials Transportation Bureau has a staffing ceiling of 104 full-time permanent positions. At the present time there are seven vacancies which we are attempting to fill. This is a lengthy process because the highly specialized and technical expertise required for many of our positions requires extensive recruiting to obtain adequately qualified applicants. (In several cases, the vacancies occured when the skills which the incumbent has perfected and demonstrated in the position led to more attractive offers of employment in the private sector or other agencies.) In the meantime, we have been able to reduce the operational impact of these vacancies somewhat by using temporary appointments to retain the skills of a number of former employees who were separated from their positions (not the vacancies in question) as a result of displacement during the RIF.

GLOBAL POSITIONING SYSTEM (GPS)

Senator Andrews: Your statement indicates that this satellite navigation system is undergoing analysis and testing. At what funding level?

Response: Testing and analysis of potential civil uses of the NAVSTAR GPS system is funded at a level of $405K. This includes projects for the simulation and analysis of NAVSTAR GPS system as well as for actual testing of the system.

Senator Andrews: What is the likely determination to be regarding civilian use?

Response: Due to questions about 1) the accuracy that will be released to the civilian community, 2) its operational suitability for civilians, and 3) user acceptance, NAVSTAR GPS will most likely be initially considered as a supplementary system. Until it can be evaluated as a fully operational system, now scheduled for 1988, the questions of operational suitability and user acceptance can not be answered. Its initial use will probably be limited to large commercial vessels and heavy aircraft.

Senator Andrews: Why will the final recommendations take until 1986?

Response: It is expected that by that time, the question as to what level of increased accuracy, releaseable to the civil community, will be resolved. Also international consultations will have taken place and a better assessment of user acceptance made.

Senator Andrews: What is the relationship between RSPA direct funding and TSC activities?

Response: As the focal point for radionavigation within the Department, RSPA Headquarters provides representation and technical assistance to both the DOT Navigation Council and Working Group. Its role is to coordinate intermodal technical issues on navigation and provide an Executive Secretary to all intermodal navigation working groups. In performng this role, extensive coordination with the Coast Guard, FAA, MARAD, and the SLSDC is needed, on a day to day basis, to formulate policy recommendations provided to the Secretary. Liaison is also maintained between RSPA Headquarters and the Department of Defense on the development and implementation of navigation systems having common civil/military use, as specified in the Federal Radionavigation Plan.

In carrying out his responsibilities in this area, the RSPA Radionavigation Program Manager at RSPA Headquarters assigns TSC several research and technical studies each year required to resolve Departmental issues in radionavigation. These studies include economic and system analyses, technological and cost assessments of new navigation systems and a technical data base on navigation systems. They also form the core program in navigation at TSC. Specifically, in FY 84 TSC has been directly funded by RSPA Headquarters to:

1) Assist in assembly of the Federal Radionavigation Plan.

2) Execute various radionavigation system mix scenarios, in support of the DOT Navigation Working Group, using the DOT Economic Planning Model.

3) Investigate the feasibility of low cost NAVSTAR GPS receivers.

4) Determine the feasibility of using differential NAVSTAR GPS to defeat Selective Availability (SA) techniques which degrade system accuracy.

5) Perform mobile measurements of NAVSTAR GPS to determine its behavior in urban environments.

Senator Andrews: FAA Administrator, J. Lynn Helms, was quoted in an aviation trade magazine as saying VOR/TACAN will likely remain the navigation standard for civil aviation through the turn of the century. How does that pronouncement fit with the analysis that will produce the DOD/DOT recommendation?

Response: This pronouncement will fit in with the joint DOD/DOT preliminary recommendation on the future radionavigation system mix. As stated in the Federal Radionavigation Plan, the DOD has a requirement for TACAN through the year 2000. Also, the FAA in its recommendation to the DOT Navigation Council states that the current radionavigation system mix, including VOR/DME, should remain through the year 2000.

The statement should have read "VOR/DME will likely remain the navigation standard for civil aviation", since there is an ICAO standard for its use, while the use of TACAN is practially non-existent in civil aviation.

ADMINISTRATION

Senator Andrews: In May 1982, RSPA had planned a reorganization that combined several office functions with the intent of streamlining operations and reducing staffing. The total reductions were to be 82 on-board positions (from 709 to 627). The reorganization was completed. What were the savings in on-board positions? What has been the impact on your operations? Why was TSC exempted from cuts in on-board positions?

Response: The planned reorganization was accomplished; however, the reductions in staff were 67 rather than 82 as initially planned. This permitted us to retain 104 positions in MTB, making our total RSPA strength 642. The impact on hazardous materials transportation and pipeline safety activities has been minimal as we took the bulk of the reductions in other parts of RSPA. In a prior reduction, TSC was not exempted from cuts in on-board positions. TSC conducted two Reductions-in-Force in November 1981 and March 1982. These actions resulted in the separation of 116 full-time permanent personnel.

QUESTIONS SUBMITTED BY SENATOR CHILES

UNIVERSITY RESEARCH

Senator Chiles: The Department has proposed a $1,650,000 reduction for the University Research Program. Which universities have contracts in FY 1983, for what work funded at what level?

Response: New proposals submitted in FY 1983 are still being evaluated, so we do not know which ones will be funded. Some universities funded for multi-year contracts in past years have received their FY 1983 increments. These are listed below:

UNIVERSITY PRIN. INVESTIGATOR CONTRACT NUMBER	PROPOSAL TITLE	FY 1983 ($) OBLIGATIONS
Massachusetts, Amherst Dr. John Collura DTRS56-81-C-00019	"A Management Information System for Rural Transit Services"	54,101
Mass. Inst. of Tech. Dr. J. Karl Hedrick DTRS56-80-C-00018	"Application of Active and Passive Suspension Techniques to Improve High Speed Ground Vehicle Performance"	90,000
Mass. Inst. of Tech. Dr. David N. Wormley DTRS56-81-C-00020	"Dynamic Performance Characteristics of New Configuration Pantograph-Catenary Systems"	107,087
Virginia Dr. Les Hoel DTRS56-81-C-00031	"Impacts of Public Transportation Terminals on Land Use and Community Development"	11,745

- Purdue University has developed a technique to determine residual bridge life. The technique will aid in bridge maintenance/replacement decisions. This research is part of a comprehensive method to evaluate bridge quality being developed by the Department of Transportation. Several private firms have expressed active interest in this work.
- Outstanding research has been done at the University of Virginia on the "Application of Image Processing to Vehicle Guidance and Safety." Although further theorectical work needs to be done for the automobile application, immediate use can be made for mobile robots for factory automation and other applications.
- Basic research on "Particulate Formation and Radiation Heat Loss in Direct Injection-Type Diesel Engines" at Rutgers University was so successful that it lead to further sponsorship by the U.S. Army for work on developing the "adiabatic diesel engine".
- A project at the Univesity of Washington has just been negotiated to study "Emerging Sources of Foreign Competition in the Commercial Aircraft Manufacturing Industry." This project is expected to provide information and analysis useful to the Department in the formulation of government policies in the area of international trade. The project will also be of potential assistance in U.S. negotiations with Japan concerning the aircraft industry.

- o Modifications to the Federal-Aid Highway Act and Highway Revenue Act of 1956 established provisions to allow interstate highway links to be "traded-in" for non-highway and mass transit projects. A study at the Polytechnic Institute of New York is producing an analysis of the nearly 40 Interstate Highway trade-ins that have occurred in 24 separate urban areas around the Nation. This study is furnishing the Department feedback information on the problems as well as the effectiveness of "trade-ins." It is expected to guide future policy decisions relating to the "trade-in" process.

- o If new investments for transportation improvements are judiciously planned, they will increase the tax base of a metropolitan area and provide badly needed local funds to finance the transportation improvements. A computer-based forcasting tool capable of determining such impacts on housing values, housing vacancies, etc has been developed at Northwestern University. The Chicago Transit Area Transportation Study has begun the incorporation of the new tool into its routine transportation planning process.

Senator Chiles: What are the three major accomplishments or outputs of this program since FY 1981:

Response: One major accomplishment on a program basis is the greatly improved participation of the Historically Black Colleges and Universities in the Department's R&D. The University Research Program's efforts in this regard have been very successful.

As the question applies to the outputs of the research sponsored by the Program it is difficult to single out three major accomplishments since there were so many useful research results during the specific time period. Some of the research highlights include:

- o "Development of Industry-Based Strategies for Motivating Seat Belt Usage." In this study Virginia Polytechnic Institute developed a seat belt motivational procedure. A high percentage of usage continued after the original initiatives were withdrawn. Program results are being adopted extensively throughout the U.S.

- o "Shipper/Receiver Mode Choice and Service Availability in Rural Communities: A Post Motor Carrier Act of 1980 Follow-Up Study of the Impact of Regulatory Reform in Small Communities". A prominent concern during Congressional debate on regulatory reform was the quality of trucking service available to and from small communities and how this service would be affected by reform. This study of Southern firms by Syracuse University shows that little change has occurred in shipping conditions. The study is continuing and will include sampling of Northern firms.

- o A program at Stanford University on "Development of Ultrahigh Carbon Steels for Transportation Application" has led to the discovery of a new class of materials that can fulfill the urgent need for new high strength materials in transportation. Among other properties, these steels are superformable at intermediate temperatures, which means they can be fabricated directly into intricate shapes. General Motors and Ford are now investigating this new class of materials.

- o Research at Johns Hopkins University is focusing on the "Linkages Between Port Facilities and Urban Economic Development". A model of the world coal market has been developed in order to calculate the implied demand for port services and their impacts on the local economy. Port services create jobs, and the University is calculating this impact. Results of this research has been presented at major forums, locally and nationally. The City of Baltimore has implemented the findings, and these extremely important results are impacting the planning of port facilities in other areas.

Senator Chiles: Which Universities will have contracts in Fiscal Year 1984, for what work, for what amounts?

Response: This is unknown. A few universities funded for more than one year in FY 1983 will have multi-year contracts continuing into FY 1984. However, since the selections have not yet been made for FY 1983, this too is unknown. We will fund universities in FY 1984 to the extent allowed by the appropriation.

Senator Chiles: Will there be fewer universities in the FY 1984 Program? If so, which ones are likely to be excluded?

Response: Yes, but it is impossible to forecast which universities will be excluded. That depends on proposals received and funding available after providing for on-going projects from prior years.

EMERGENCY TRANSPORTATION RESEARCH

Sen. Chiles: As you know, this Committee in its report which accompanied the Fiscal Year 1982 Appropriations Bill (p. 35) requested that the Secretary of the Department of Transportation in conjunction with the Department of Defense and the Executive Office of the President to conduct a review of the Department's capability to plan to meet the transportation needs associated with our national defense. That report was due on December 31, 1981, with recommendations for improving transportation planning to meet the increased national defense requirements. Please list the recommendation made in that report and the status of compliance with each recommendation.

Response: The Secretary of Transportation submitted the report "A Review of the Capability of Transportation Planning Processes to Accommodate Increased Defense Outlays," as requested in Senate Report 97-186.

In response to this requirement, interviews were conducted with the relevant planning units in the Department of Transportation and with their counterparts in the Department of Defense. The interviews focused on identification of the coordinating and planning mechanisms which were in place relating to defense transportation requirements. Technical studies supporting these mechanisms were also identified.

The results of this review indicate that the mechanisms for coordination of planning are in place, working well, and sufficient to assure that defense transportation needs are adequately addressed. Therefore, no recommendations for additional planning activities were required.

Sen. Chiles: An additional $400,000 has been requested for national defense-related research. Is this effort coordinated with the Department of Defense and to what extent should these expenses be scored against the defense function for budget purposes?

Response: The $400,000 research and development request supports the entire spectrum of the Secretary's emergency responsibilities, which not only involve the national security, but also domestic national and regional emergencies such as natural and man-made disasters. The analytical tools developed through this effort, such as the key transportation facilities data base and the transportation demand/capacity model, are designed to provide information in support of the Secretary's broad range of emergency responsibilities. Fiscal Year 1984 emphasis is being directed toward the transportation "mobilization" aspects of the national defense area, but inherent within any "mobilization" planning is the requirement to assure that goods and personnel essential to maintaining the civil economy as well as meeting national security needs also receive adequate civil transportation service. In terms of the overall estimated civil transportation demand imposed by a "worst case" mobilization scenario, the civilian requirements far exceed those of the Department of Defense. Thus, the mobilization emphasis fully encompasses both direct national security needs and equally important, the nation's civil needs. Policies, procedures, and data developed under the effort, as the products relate to defense matters, are coordinated with the Department of Defense. Since the requested R and D funds are to be used in carrying out statutory and administrative emergency responsibilities specifically assigned to the Secretary of Transportation, and considering the broad range and application of such responsibilities, none of these expenses can be scored against the defense function for budget purposes.

BUDGET INCREASE FOR ENFORCEMENT

Senator Chiles: The largest item of increase within the totals is an increase of $1,643,000 for activities related to the transportation of Hazardous Materials and Pipeline Safety Programs. To what degree is the Department attempting to rely on the states for enforcement of these programs through contractual arrangements?

Response: The Materials Transportation Bureau has only one program which utilizes contractual agreements to promote state enforcement of safety regulations - the State Hazardous Materials Enforcement Development (SHMED) program. Of the total increase requested in Operations Funding for MTB, $245,000 (15%) represents the increase in funding for the SHMED program.

Initiated in 1981 with five states participating, the SHMED program provides technical and financial support which enables participating states to develop their own enforcement capability. In this way, total resources devoted to safety enforcement are increased at a fraction of the cost that would be required to achieve an equivalent level of effort by an increased Federal enforcement staff. Expansion of the program in 1982 brought the number of participating states to 16 and further expansion to 26-28 states is planned for 1983 and 1984. The contractual agreements with the states are of a three-year duration and funding requirements will peak in FY 1984, with decreasing amounts committed through FY 1987. We anticipate that the SHMED program will phase naturally into the grant program for state motor carrier safety enforcement which Congress included in the Surface Transportation Assistance Act of 1982.

By involving the states in hazardous materials transportation safety enforcement and promoting state adoption of the Federal Standards, the SHMED program contributes to the achievement of a uniform national system of hazardous materials transportation safety.

EMERGENCY RESPONSE GUIDEBOOK

Senator Chiles: As part of an effort to rely on the States for program enforcement, $300,000 is requested for the production and distribution of the Hazardous Materials Emergency Response Guidebook. What information will this guidebook contain that is not already available to the States?

Response: The Hazardous Materials Emergency Response Guidebook contains nothing that is not available from other sources. It was never meant to. The value of the Guidebook lies in the careful selection and arrangement of the information which it does contain.

Those who are first to respond to a hazardous materials emergency need to know two things and they need to know them immediately. What is it? and, How do I deal with it? The Guidebook answers both these questions in simple English. It is a quick and easy reference which provides emergency responders with the technical information they need to do their job.

The Guidebook has received widespread and enthusiastic acceptance among emergency service professionals in the U. S. and abroad. It has been translated and issued as an official government publication in both Canada and Japan.

ADEQUACY OF INTERSTATE PIPELINE INSPECTION

Senator Chiles: A study by the Materials Transportation Bureau (MTB) in 1979 indicated that 50 inspectors would be needed to inspect both the interstate pipeline operators and the intrastate operators that the state agencies had not assumed responsibility for. In March 1981, the Department's Inspector General reported that the Southwestern Region was providing inadequate inspection coverage of the interstate and intrastate operators under its jurisdiction.

Is MTB's current staff of inspectors sufficient to provide adequate inspection coverage of all interstate and intrastate pipeline operators that it has jurisdiction over? If not, explain which types of operators are not being given adequate coverage?

Response: The answer to this question depends upon one's definition of "adequate coverage." In managing the Pipeline Safety Program, MTB's enforcement staff has set itself the goal of inspecting each pipeline safety operator no less frequently than once per year. This is an exacting standard and MTB's current staff of 16 inspectors (nationwide) has not yet been able to achieve it. The staff of 16 inspectors includes five Region Chiefs who must monitor the performance of the state agencies in the safety program. This activity consumes 60-90% of the Chiefs' program efforts. Thus, only about thirteen staff-years are available for coverage of the pipeline operations within MTB's jurisdiction. Maximum possible coverage is further reduced by the fact that, when enforcement sanctions such as compliance orders or hazardous facility orders are imposed, additional inspections of the facilities involved are mandatory during the time period stated in the sanction.

Rather than trying to achieve the numerical goal of one inspection per year over any one type of pipeline operator by virtually ignoring the rest, MTB assigns its inspectors to all types of operators. During FY 1983, the percentage of operators to be inspected in each of the regions will vary as follows: 8 to 87% for interstate liquid operators; 9 to 84% for interstate gas operators; 8 to 60% for intrastate gas operators; and 67 to 100% for LNG facilities.

Senator Chiles: Has any progress been made in getting the states to assume responsibility for those intrastate operators that they were not inspecting in the past? Please explain?

Response: Progress is being made toward full state assumption of jurisdiction over intrastate operators. For example, Missouri has recently assumed jurisdiction over municipally owned distribution systems. Louisiana is in the process of promulgating legislation giving the state agency municipal jurisdiction. Arizona now has master meter jurisdiction, and several other states are obtaining such jurisdiction or are banning master meter systems. A few states agencies, like the Georgia and Kentucky Public Service Commissions, favor jurisdiction over all intrastate operators, but because of local considerations the state legislature has not given such jurisdiction to the PSC.

Senator Chiles: How many staff years does MTB now spend inspecting intrastate operators?

Response: In FY 1983, MTB will spend 26 man-years inspecting intrastate operators.

GAS PIPELINE SAFETY GRANTS TO STATES

Senator Chiles: The natural gas pipeline safety grant-in-aid program provides for Federal funding of up to 50 percent of the program costs incurred by a state. In fiscal year 1981, Federal contributions amounted 33 percent of the total. At last year's hearings, Mr. Dugoff estimated that Federal contributions in fiscal years 1982 and 1983 would approximate between 17 and 25 percent of the state's costs. Several states (e.g., Louisiana and Indiana) have indicated that funding problems could cause them to drop or cut back their participation in this program.

Will the amount of funds requested for fiscal year 1984 cover 50 percent of the states' estimated cost of this program?

Are any state agencies contemplating dropping out of or curtailing their participation in the Federal-state gas pipeline safety program? If so, how many? What effect would this have on MTB's workload and staffing requirements?

Reportedly, some state laws do not allow state funding to exceed the Federal funding level. Which states are involved and how have they resolved the problems caused by the reduced Federal funding?

Response: No. The amount of funds requested for fiscal year 1984 will not cover 50 percent of the states' estimated cost of this program. We estimate that the FY-84 appropriation will cover approximately 30% of states cost. See Responses to Senator Andrews questions under Pipeline Safety grant-in-aid.

For further information, see responses to Senator Andrews questions under"Pipeline Safety Grant-In-Aid."

STATE PARTICIPATION IN INTERSTATE GAS PIPELINE PROGRAM

Senator Chiles: At one time, as many as 31 state agencies acted as agents for MTB inspecting interstate gas pipelines. By the end of 1981, there were only 12 state agencies still acting as agents. In the past, the Department has discouraged the states from acting as agents because an operator then has more than one agency inspecting different sections of the same pipeline. However, MTB already has more of an inspection workload than it can handle.

How many state agencies currently act as agents for MTB in the inspection of interstate pipelines?

How many additional staff years would MTB need to assume the same level of inspection activity currently performed by these agents?

Are you actively encouraging or discouraging the state agencies to act as agents?

Response: See Response to Senator Andrews' questions under"Pipeline Safety."

STATE PARTICIPATION IN LIQUID PIPELINE INSPECTION PROGRAM

Senator Chiles: The Hazardous Liquid Pipeline Safety Act of 1979 authorized the establishment of a liquid pipeline grant-in-aid program similar to that currently being administered with regard to gas pipelines. According to a letter to the states, dated December 7, 1982, MTB intends to amend the regulations to include coverage of intrastate liquid pipelines in all states, Puerto Rico, and the District of Columbia as of January 1, 1984.

In December 1981, MTB's Office of Operations and Enforcement sent letters to all the states, the District of Columbia, and Puerto Rico inviting them to participate in the program. At the time of last year's hearings, responses have been received from 23 states, only 4 of which expressed a strong desire to participate. As of Mid-January 1983, 23 of the 52 entities still had not responded.

What is the current outlook for state participation in this program? How many states have agreed to participate and how many of these have a significant amount of intrastate liquid pipelines?

When will the program be implemented?

How will implementation of this program affect MTB's workload and staffing/funding requirements if state participation is: substantial or, very limited?

Response: See Response to Senator Andrews question under"Liquid Pipeline Grant-In-Aid Program."

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will be adjourned until Thursday at 10 o'clock.

[Whereupon, at 3:30 p.m., Tuesday, February 22, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, February 24.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 24, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:08 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

STATEMENT OF RAYMOND A. PECK, JR., ADMINISTRATOR

ACCOMPANIED BY:
- DANA L. SCOTT, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION
- ERIKA Z. JONES, SPECIAL ASSISTANT TO THE DEPUTY NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATOR
- MICHAEL FINKELSTEIN, ASSOCIATE ADMINISTRATOR FOR RESEARCH AND DEVELOPMENT

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The committee will come to order. This morning our subcommittee will hear from Ray Peck, Jr., the Administrator of the National Highway Traffic Safety Administration.

Mr. Peck, we're happy to have you here. Your statement will appear in full in the record. You can summarize it in anyway you want, so that we could then get into the questioning part of the testimony.

INTRODUCTION OF ASSOCIATES

Mr. PECK. Mr. Chairman, thank you. It's a pleasure to be here. I would like to introduce at the outset, please, the two agency personnel sitting here at the table. And for the record indicate those in the first row who will be available for specific responses as needed, and for whom a vacant chair has been provided.

Senator ANDREWS. In the old days over in the House we always used to find that the further you went back, the more knowledge that there would be, and the people in the third row really had the answers that they passed up to the second row, and it finally got up to the person at the microphone.

I noticed a North Dakota trained individual back in about the third row. So I suspect you run on the same basis that they used to 15, 20 years ago, in appropriations hearings.

Mr. PECK. Our statisticians would be able to document that, as well as an application of Murphy's law. The fellow who has the answer is the furtherest away, it is in the bottom of his briefcase, and he is out making a telephone call at the time the question is asked.

Senator ANDREWS. You know how it works.

Mr. PECK. At my immediate left is Dana Scott, who is the agency's Associate Administrator for Administration. On my right scheduled to appear was Diane Steed, who is the Deputy. Ms. Steed has been detailed for the past several weeks to the Secretary's office to assist Mrs. Dole in her familiarization of the agency. Sitting in her place here is her principal assistant, Erika Jones.

Sitting in the first row behind me are the other associate administrators and the technical staff. I will introduce them for the record as needed.

PROGRAM EMPHASIS

Our 1984 budget, Mr. Chairman, continues a carefully developed, balanced program which is designed to yield the maximum reduction in deaths and injuries, and the maximum compliance with our responsibilities to consumer and consumer information programs in the quickest and most effective way.

It reflects the concern not only of this agency but of the secretaries under whom I have served and the President, that national resources be directed at activities and targets of opportunity which have the most realistic prospect of success in solving the Nation's tragic problem of highway losses.

They are designed specifically in each case to obtain the maximum safety gains per dollar invested. We are continuing to place greater emphasis on the highway safety portions of our mission than had been the case in previous administrations.

Particularly, we are emphasizing a fresh approach as opposed to transferring existing knowledge to alcohol control and safety belt usage.

Alcohol abuse comprises the single greatest cause of accidents. It accounts for more than one-half of all of our highway deaths, and affords the greatest opportunity for the avoidance of accidents and the prevention of injuries and fatalities as a result.

In those accidents which do occur, more than one-half of the fatalities and injuries experienced in passenger cars, light trucks, and vans, could have been prevented entirely or in part through the use of existing occupant restraint technology.

The safety belts in the cars were, in most cases, sat upon by the victims of the accident at the time of the crash.

Compliance testing to enforce the motor vehicle safety standards continues to receive strong emphasis within the overall structure of our program to assure the safety of the vehicles being sold that are using the Nation's highways.

Our request for this effort includes additional funds this year to cope with the price increases that all testing services have experienced as well as the price of the objects to be tested increases.

ALCOHOL SAFETY INCENTIVE GRANTS

Pursuant to the Alcohol Traffic Safety Programs Act of 1982, we recently completed a rulemaking to establish those criteria which will be used in awarding the basic and supplemental alcohol safety incentive grants called for by that statute to the States for programs to address the drunk driving problem.

We have given particular care to the development of criteria which will assure that the funding will serve as seed and incentive money to assist and reward those States that take effective steps toward establishing drunk driving programs.

We understand this to be the principle concern of the Congress.

Of the available contract authority of $50 million allocated in 1984 by the Congress for this program, we are estimating that $37.9 million will be obligated in fact in fiscal year 1984 based upon our assessment of how quickly and in what areas the States will become eligible for their funding.

BUDGET OVERVIEW

In brief overview our budget submission provides for a total program level of $194.9 million. We are requesting budget authority of $78 million which consists of a Federal fund appropriation of $55.8 million under the operations and research appropriation for programs authorized under the Motor Vehicle Safety and Motor Vehicle Information and Cost Savings Acts, and an appropriation of $22.2 million from the Highway Trust Fund under the highway safety research and development appropriation for programs authorized by section 403 of the Highway Safety Act.

Of the available contract authority to the agency of $148.1 million, we are estimating obligations in 1984 of $116.9 million from the Highway Trust Fund for the highway traffic safety grant programs.

The 1984 program level of $194.9 million compares to $190.4 million in estimated budget authority and obligations from contract authority for the above programs in 1983.

The overall increase of $4.5 million provides for an increase of $3 million in the O&R appropriation, an increase of $0.4 million for the highway safety research and development appropriation, and an increase of $1.1 million in the 1984 estimate of obligations for highway safety grants.

FATALITY TRENDS

Mr. Chairman, I have submitted a detailed statement for the record. I would like to add one point as an ad lib to this summary of our prepared statement.

Our closing numbers for calendar year 1982 indicate that highway fatalities declined by 10.2 percent below 1981. That is to a record low since 1963 of 44,243 dead. That is a record low, but it is also an unacceptably high number.

As we come off calendar year 1982, I think it is important that the agency recognize, and I respectfully call to Congress attention, the fact that there are many causes for this decline. But probably the largest single cause is the fact that in the last 2 to 3 years highway safety has become a public issue.

We are acutely aware of our responsibilites and obligations, as the agency representing the Federal Government on that issue, and have crafted our budget, and will exercise our authorities with that awareness in the forefront of our minds.

I thank you very much.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Peck. Your prepared statement will appear in the record at this point and I will proceed with some questions.

[The statement follows:]

STATEMENT OF RAYMOND A. PECK, JR.

PROGRAM EMPHASIS

Our 1984 budget request continues a carefully developed, balanced program which is designed to yield the maximum reductions in deaths and injuries in the quickest and most effective ways. It reflects the concern that our national resources be directed at those activities and targets of opportunity which have the most realistic prospect of success and which will obtain the maximum safety gains per dollar invested. We believe that our program will allow us to pursue measures which will upgrade vehicle safety performance, emphasize the need for superior public education, and provide an understanding of the true risk and consequences of driving.

We are continuing to place greater emphasis on the highway safety portions of our mission, primarily on alcohol control and safety belt usage. Alcohol abuse comprises the single greatest cause of accidents--accounting for about half of all highway deaths--and affords the greatest opportunity for prevention. In the accidents that do occur, half of the fatalities and injuries could be prevented through the use of existing occupant restraint technology. In April 1982, the President announced two major programs addressing these areas, one aimed at highlighting and reducing the drunk driving menace and the other geared to preventing injuries and saving lives by increasing safety belt use. Our alcohol program promotes community-based alcohol programs and encourages State and local governments and the private sector to create comprehensive programs with swift, sure sanctions for violators. It builds on the groundswell of public support which currently exists for reducing drunk driving. Our occupant restraint program is designed to reach out to every age group and socio-economic level with persuasive information on the risk of riding in cars and the tremendous life-saving benefits of wearing belts.

We are also focusing on improved motor vehicle safety technology. Our expanding data collection and analysis capability permits us to better understand the causes of accidents and how injuries occur in a crash, and we are basing our motor vehicle priorities on the latest accident data and on projected fleet trends. In the crash avoidance area, our priorities are on vehicle lighting and braking improvements -- particularly in the area of heavy truck braking because of those vehicles' overinvolvement in fatal collisions. Our crash protection priorities in the frontal crash area are improved steering columns, windshields, instrument panels and frontal structures. In our on-going side impact research, the major emphasis is on structural and padding modification.

Compliance testing to enforce the Federal Motor Vehicle Safety Standards continues to receive a strong emphasis within the overall structure of the agency's program to assure the safety of vehicles using the nation's highways. The increase we are requesting for this effort in 1984 is critical to cope with price increases in testing services and the purchase of items to be tested. As an additional benefit, our compliance testing program also provides valuable data of considerable use in our regulatory evaluation efforts.

Last year, I reported to you that NHTSA had initiated a program to encourage government/industry research cooperation and to develop cooperative research programs with the vehicle manufacturers. I am now able to report that this effort is well underway between NHTSA and the Motor Vehicle Manufacturers Association, focusing on side crash protection research, truck exposure data research, biomechanics, accident reconstruction, and other program areas. This program is aimed at the more efficient use of research resources and ultimately at the incorporation of safety improvements into production vehicles.

Another area of program emphasis continues to be NHTSA's Car Assessment Program. Its ultimate objective is the determination of how safety and performance differences among various automobile makes and models can be assessed and compared. The vehicles are crashed at 35 mph into barriers to measure levels of occupant protection. The program is experimental, and we have for the first time now undertaken repeatability and reproductibility testing to confirm the use of this technology.

A key support to all our program emphases is NHTSA's accident data collection and analysis system. We now have seven years' data from the Fatal Accident Reporting System, which is a census of all highway fatalities. Especially exciting is the progress of our National Accident Sampling System -- a statistically representative sample of police-reported accidents -- which now has reached an operating level of 50 teams nationwide with an investigation capability of 10,000 accidents annually. These accident statistics are essential to sound program management and an understanding of the safety problems and their causes.

We are requesting budget authority of $78 million in 1984 for the above activities.

MANAGEMENT EMPHASIS

Shortly after I assumed this position, I directed our offices to undertake full planning reviews of our internal decision-making processes, to design a safety priority plan, and to assure that these processes reflected an orderly, agency-wide and systematic approach to safety problem identification and resource allocation. We have continued to examine our safety problems and program management through the use of our rapidly maturing files of accident data. NHTSA now has a data system in place which allows the analysis of safety problems with greater confidence than ever before, providing insight to potential benefits before embarking on large research programs. This increased accuracy in data and problem analysis has been further strengthened by placing a greater emphasis on trend analysis and forecasting. These techniques allow us to anticipate the most serious safety problems of the future -- when the research and actions of today would bear results in the field.

As part of the planning process which produced NHTSA's safety priorities plan, our research resources have been carefully allocated according to program priorities. This was accomplished by a careful and detailed review of the individual research projects by NHTSA's senior management. Now that the plan has been completed, we are monitoring program implementation to assure that these priorities and day-to-day management actions remain consistent. My senior staff and I will be apprised quarterly of our progress under the plan and of the need for adjustments or new initiatives.

Recently we completed a rulemaking which established the criteria which will be used in awarding Basic and Supplemental Alcohol Safety Incentive Grants to the States for programs to reduce the drunk driving problem. Whether a State qualifies for a basic grant in any fiscal year will be determined by its compliance with minimum criteria specified by Congress in the Alcohol Traffic Safety Programs Act of 1982. Supplemental grant criteria have also been determined as well as the means by which States may certify those facts necessary for grant eligibility and the procedures for award.

During this rulemaking, particular care was given to the development of operational definitions and supplemental criteria which assure that the funding will serve as seed money to assist and reward States that take effective steps toward establishing comprehensive drunk driving programs, as intended by Congress. We are confident that the criteria and procedures are practicable and provide effective incentives for State and local leaders to place a higher priority on the drunk driving problem. At the same time we are urging officials across the nation to use more of their own highway safety funds on this problem, to improve apprehension techniques, streamline court procedures, strengthen laws, and increase media coverage of enforcement activities. In this regard, we are continuing to provide management and program guidance, and technical assistance to States and local communities to help them achieve this end.

Of the available 1984 contract authority of $50 million, we are estimating that $37.9 million will be obligated, based on an assessment of how quickly the States will become eligible for funding.

We are also continuing to focus funding for Safety Formula Grants on those programs determined to be most effective in reducing accidents, deaths and injuries on our highways. On April 1, 1982, NHTSA and FHWA identified six highway safety programs as being the most effective, five of which are administered by NHTSA: Alcohol Countermeasures, Police Traffic Services, Emergency Medical Services, Traffic Records and Occupant Protection. These programs continue to be eligible for funding under the Safety Formula Grant Program and by focusing grant funding on these areas, we believe that the program can continue to achieve measurable accident reductions. It seems appropriate at this point to emphasize that the funding for the alcohol incentive grant program is not a substitute for State alcohol countermeasure programs provided by basic (Section 402) grants.

The two programs are not duplicative, but mutually reinforcing and indispensable.

Finally, we have incorporated a set of management techniques and approaches into our safety belt and child safety seat usage program which will optimize the quality and level of involvement of State highway safety personnel. Because a critical feature of our program is the "networking" of outside organizations to develop and institutionalize safety belt and child safety seat promotional efforts, considerable effort has been spent in developing objectives and goals which are realistic and acceptable to the States and outside organizations involved. To these ends a review committee has been established to recommend which organizational networks offer the greatest potential for accomplishing the goals of the program. In each of our regional offices, coordinators have been designated to deal directly with State safety personnel. Each State highway safety office has also been encouraged to designate a single contact person who is directly responsible for coordinating safety belt and child safety seat activities within that State. We have also prepared a detailed evaluation plan for the safety belt program which describes how we will monitor changes in public knowledge, attitudes and belt usage, as well as measure the effectiveness of the individual parts of the program. And, building upon the relationship of alcohol to accident causation and belt use to injury and death prevention, we are constantly striving to make sure that both our safety belt and drunk driving programs are as closely integrated as possible.

EXTERNAL IMPACT OF NHTSA PROGRAMS

Federal funding of the Safety Formula Grant Program has achieved an impact far beyond the relatively small investment of Federal 402 funds. These funds frequently provide the incremental assistance necessary to bring State and local efforts to the critical commitment necessary to make an impact on the traffic safety problem and produce a real savings of lives. We believe the program has clearly influenced the growth we have seen in the quantity and quality of highway safety programs initiated by the States; the program has provided the "risk" money which enables State and local agencies to implement new and untried highway safety efforts; and as these highway safety programs mature, they become a part of the originating agencies normally funded budget items.

Due to this nation's serious economic conditions, it became ever more imperative that Federal funds be concentrated on problems of national magnitude, and in support of those programs where the best results might be obtained.

Our concern that such accommodations be made with the least possible adverse impact on safety was reflected in our dealings with the States, and in the enactment by the Congress of the Omnibus Budget Reconciliation Act of 1981. The Act required that NHTSA determine the most effective State and local highway safety programs by means of a rulemaking process which had to be initiated by September 1, 1981, with the final rule transmitted to Congress by April 1, 1982. All requirements of the Act were accomplished by April 1, 1982, and the final rule was published in the Federal Register on April 8, 1982.

As I stated earlier, the final rule identifies the five most effective NHTSA-administered programs (Alcohol Countermeasures, Occupant Protection, Police Traffic Services, Emergency Medical Services, and Traffic Records). However, the final rule does not neglect highway safety areas outside of these five national priorities. The rule establishes a mechanism by which a State may use grant funds for other programs which the State may elect to show represent a significant problem for that State, and for which a program based on proven countermeasures has the potential for a level of payoff similar to that found in the national priority areas.

We have determined that the level of Federal review of requests in these State specific priority areas should be more detailed than has occurred in the past, primarily because there has now in effect been a more detailed and compelling determination of national priority against which such proposals must compete. Consideration of these requests will be based in large part on the findings made in the rulemaking process, and approval will be limited to the use of countermeasures of the "most effective" type which were intended by Congress to be eligible for funding.

By focusing on the national priority areas, and by the close scrutiny of the problem identification and countermeasure selection in other State specific programs, we believe that the grant program can continue to achieve measurable accident reductions.

Our role in the new management and program emphasis of the Safety Formula Grant Program will focus on assisting State and local governments in developing and carrying out highway safety programs; conducting an adequate level of highway safety research and development; and bringing together government, university and private sector capabilities into an effective national system for meeting the needs of highway safety. These actions will be accomplished by developing, packaging and disseminating the best means currently available for attacking highway safety problems, providing seed money for new and expanded activities, and continuing to provide seed money for training, guidelines, and procedures which emphasize the most effective and efficient use of the State and local resources.

The obligation limitation of $77 million we are seeking for Safety Formula Grants in 1984 reflects our judgment that this level will provide for a cost effective program.

FATALITY TRENDS

I would also like to provide you with the latest data on motor vehicle fatality trends. United States traffic fatalities have dropped dramatically from 49,293 in 1981 to an estimated 44,243 in 1982. With this 10% decline, traffic fatalities are at their lowest level in 19 years. This decrease continues the trend begun in 1981, when fatalities dropped more than 3% from 1980.

Our preliminary analysis of the 1982 decrease suggests some changes in historical patterns. Current data systems contain little or no specific information concerning accidents which do not happen while prior experience has shown that highway fatalities tend to ebb and flow with the state of the economy. This linkage has, until recent years, appeared through the amount of vehicle miles travelled. In other words, as more people drive more miles per year (i.e., increases in exposure), more accidents and fatalities occur. This easy economics explanation is now cast in doubt as to recent years since, while the economy was in a recessive state and fatalities were declining, actual motor vehicle miles travelled had, in fact, risen.

Anecdotal evidence and reports from State transportation departments indicate significant local reductions in fatalities due to alcohol enforcement programs. That notwithstanding, there remains an historical link between fatalities and the state of the economy. A major research and analysis priority for the coming year is to study the 1982 fatality decrease more closely, to understand the relations with economic factors, and to see how these factors manifest themselves in driving and behavior changes which may affect Agency programs and priorities.

BUDGET OVERVIEW

For 1984, our budget submission provides for a total program level of $194.9 million. We are requesting budget authority of $78 million, consisting of (1) a Federal fund appropriation of $55.8 million under the Operations and Research appropriation for programs authorized under the National Traffic and Motor Vehicle Safety and Motor Vehicle Information and Cost Savings Act, and (2) an appropriation of $22.2 million from the Highway Trust Fund under the Highway Safety Research and Development Appropriation for programs authorized by Section 403 of the Highway Safety Act. Of available contract authority of $148.1 million we are estimating obligations of $116.9 million in 1984 from the Highway Trust Fund for Highway Traffic Safety Grant Programs.

The 1984 program level of $194.9 million compares to $190.4 million in estimated budget authority and obligations from contract authority for the above programs in 1983. The overall increase of $4.5 million provides for (1) an increase of $3 million for the Operations and Research Appropriation, (2) an increase of $.4 million for the Highway Safety Research and Development Appropriation, and (3) an increase of $1.1 million in the 1984 estimate of obligations for Highway Traffic Safety Grants.

This completes my statement, Mr. Chairman. I will be happy to answer any questions that you or members of the Subcommittee have concerning our budget.

FATALITY RATES PER 100 MILLION VEHICLE-MILES

Senator ANDREWS. Those are indeed impressive figures. But let me run them by you in a little different way.

What is the accident rate per million miles driven? Have the miles driven gone down because of the recession, or have the miles driven stayed at relatively the same level?

Mr. PECK. The miles driven have increased slightly by about 1.2 percent. That is a less impressive increase than usually occurs in time in vehicle-miles traveled (VMT), but the VMT itself has remained what we would call basically stable. It has not declined in any way proportionate to the decline in fatalities.

Senator ANDREWS. But the decline in fatalities then has been not only overall gross decline, but a decline per million passenger-miles driven.

Mr. PECK. It is the largest single decline in the last decade. And it represents a decline from a fatality rate per 100 million vehicle-miles of 3.18 in 1981 to a fatality rate of 2.82 in 1982.

Senator ANDREWS. I certainly don't want to tell anyone that's doing as successful a job as you are how to write your scenario. But let me suggest that you ought to write it on the basis of millions of miles driven rather than overall gross.

The first thing somebody will look at it and they will say, well, the economy is in a recession and people are driving less, therefore, fatalities might go down.

I wanted to be sure we got that in the record.

Mr. PECK. Mr. Chairman, the original numbers which were disclosed by the agency under media attention a couple of weeks ago were unable to be calculated on that basis because at that time we did not have the VMT numbers. But we are acutely aware of the importance of the relationship. That is really what counts.

AIR BAG AVAILABILITY

Senator ANDREWS. What is the current situation regarding the air bag?

Mr. PECK. Here goes one-half of the audience. I am pleased to announce—that's the half—that air bags will be introduced as options in the United States in model 1984 in one set of car lines already announced.

I confidently expect that within that year, that model year, or the next model year, that will be replicated.

Senator ANDREWS. Is this a tribute to the American automobile manufacturer?

Mr. PECK. In large part, yes. Although it is, in fact, a foreign manufacturer.

Senator ANDREWS. What line of automobiles is able to provide the air bags as optional equipment?

Mr. PECK. For a number of reasons——

Senator ANDREWS. No; what line. You said one automobile.

Mr. PECK. I'm sorry. That's Daimler-Benz in the United States. It's Mercedes Benz of North America.

Senator ANDREWS. So that's a tribute to the American automobile manufacturer that Mercedes is offering air bags as an option?

Mr. PECK. As a personal observation as the Administrator, I think if Mercedes or any given manufacturer were not certain that there would be others in the field, and moreover that there was a competitive advantage merely to being first, we would have seen none.

AIR BAG DEMONSTRATION PROGRAMS

Senator ANDREWS. But you think that American manufacturers are going to follow the lead of Mercedes.

Mr. PECK. I do. And we are doing everything in the agency's power to insure that result. Specifically, we've directed our attention to two program areas.

The first was in effect to insure the continued viability and existence of suppliers of the technology. That effort has been directed toward a program that will be accomplished through the use of our motor vehicle funds, and constitutes the completion of design and tooling and the actual manufacture of several hundred retrofit air bag systems for use in what will probably be State police vehicles, although we have not limited either the number or the types of vehicles.

That is to insure that over the next 2 years, that because of the manifest plans by no manufacturer to introduce air bags in this country, there would be a continued supplier or suppliers in existence.

The second aspect of what we have done has been directed toward insuring that there will be at least one new car model line being produced with air bags. And that effort is in effect embodied in our work with the General Services Administration.

By memorandum of agreement with the GSA, the Federal Government's purchases of compact cars for model year 1985 will include in the contract specifications air bag systems.

Senator ANDREWS. We understand, however, that you are requesting funding of $1 million, which is less than one-half of the estimated cost.

Mr. PECK. Yes; that is split.

First, the funding that we have requested is $1 million, and that's only the first year of the funding. That's based on the timing of the need for those funds. It's $1 million in fiscal year 1984. It would be $1.5 million in fiscal year 1985.

Senator ANDREWS. Will the procurement specs be issued for domestic autos?

Mr. PECK. They will be issued——

Senator ANDREWS. Or if you get into this deal with GSA, is GSA going to have to start buying Mercedes cars in order to go along with it?

Mr. PECK. No; we have not at this time proposed any adjustment in the Buy America Statute. GSA will be only buying American cars. The technical specifications would not be specific to country or manufacturer of origin.

Senator ANDREWS. But under the air bag cooperative agreement with GSA you feel the $1 million is enough to move the project forward this year and that it will be resulting in those air bags being installed on American made cars.

Mr. PECK. Yes; I do.

I think it's important to note also that the competitive pressures on other manufacturers remain as significant in this area as in the introduction of one line by Mercedes.

The principle concern by the agency was to insure that a line was available so that in the early stages someone purchasing a car similar to the one or more models that will be subject to the retrofit program for State police fleets would be able to buy a production car and go to the retrofit company and have an air bag installed.

As far as model year 1985 is concerned, our concern was to insure that a car—it will in fact probably be more than one car—is designed so that someone can walk in off the street and buy a production car from a manufacturer equipped with air cushion restraints technology.

SEAT BELT DEVELOPMENT WORK

Senator ANDREWS. The Wall Street Journal reported earlier this month that auto manufacturers have—and I quote them—"suspended practically all development work" on seat belts as they await the Supreme Court decision on the passive restraint rule.

What problems and delays do you foresee if a decision is handed down requiring some form of passive restraints in the U.S. automotive fleet?

Mr. PECK. In terms of decisions by the agency, none. In terms of decisions by the Court, a fairly substantial one. The ongoing expenditure over the industry for keeping open lines of vehicles with both passive and nonpassive restraint technologies was, if memory serves, approximately $500,000 a day.

As a result, it is not unreasonable to expect that the companies would have terminated that aspect of their work. But the company's developmental work is separate from the developmental work by the designers and manufacturers of the systems.

There will still be passive restraint belts introduced into systems in cars that already supply them. We have no way of knowing whether any additional systems would be introduced. But probably not because of the very reasons that led to the recision of the 208 standard by me, which the Supreme Court now has before it.

HOTLINE PROMOTION

Senator ANDREWS. Where do you publish your hotline number?

Mr. PECK. Everywhere we publish anything dealing with consumer affairs. And we are scheduling for production public service announcements that would include not just the hotline number but a description of the facilities available through that mechanism.

I might say that in terms of the publication of it, I think that's one of the areas where I am still not satisfied with our performance.

HOTLINE CALLS BY GEOGRAPHIC AREA

Senator ANDREWS. How many calls did you get last year on that hotline?

Mr. PECK. One hundred and seventy-three thousand.

Senator ANDREWS. Is there a balanced geographical representation in the calls?

Mr. PECK. We have no way of knowing. That's a national toll free 800 number. I don't think we have any way of knowing.

Senator ANDREWS. Don't they identify themselves and where they are from?

Mr. PECK. Oh, I'm sorry, yes. We would be able to go back and reconstruct from the computers where the mailing addresses were. But all callers do not request information.

Senator ANDREWS. What percent of the callers request information?

Mr. PECK. I stand corrected by my assistant administrator, my Associate Administrator for Enforcement. He says 100 percent because the hotline operators push the material out. So the answer is yes.

Senator ANDREWS. So if the hotline operators do that and if they are sending back information, you've got all those addresses.

Mr. PECK. That would be correct.

Senator ANDREWS. So I'll go back to the question I asked a moment ago.

What balance do you have in geographical representation of the callers?

Mr. PECK. I'm informed that it would be possible to reconstruct it from the computer generated mailing labels. That is a process that we are looking at as we look at the promotional material for this consumer information service.

It will be a part of our evaluation plan to determine where, for example, PSA's promoting the materials in fact would be having an affect and where not.

HOTLINE INFORMATION RANGE

Senator ANDREWS. What type of questions are asked?

Mr. PECK. Originally the hotline was a mechanism for reporting information to the agency on defects or suspected defects.

Senator ANDREWS. That's right. Only now they are asking for information.

Mr. PECK. That's correct.

Senator ANDREWS. And that's why I said what kind of questions are they asking. What kind of information are they looking for?

Mr. PECK. Virtually the full range of information from the agency.

What happens when an indivdiual calls the hotline is, there are now three levels of possible response by the agency depending on what the caller wants.

The first level is that which has always been the case; the hotline operators. They, in essence, obtain from the caller an identification of what it is that the caller is looking for.

They specifically identify by category the kind of information that the caller is requesting, and if there is in existence a document, or a summary, or an outside source for that information, they send it to the caller.

Second, with respect to more complicated questions, which are either not direct requests for specific information or which the operator is unable to handle, we now have hotline supervisors who know the agency and who know the materials available. And they come in on the call and speak to the caller to ascertain exactly what it is the caller either wants or is reporting.

Finally, we will probably during this fiscal year have present in that facility, and in any event have now throughout the agency, the referral numbers for specific information.

To give you an idea of the categories that we have broken it down into, the information that is requested is broken down by us into carbook only requests; recall campaign summary requests; fuel economy rating guide requests.

We also have crash testing requests; uniform tire quality grading materials; bibliographies; vehicle maintenance in general; the carbook as part of another package of requests; the cost of operation of a vehicle—which is an FHWA publication.

Also included is a bibliography of all publications available in the government and those known to the agency in the private sector; the odometer tampering materials; the child restraint materials; the drunk driving materials; the safety belt materials; the research safety vehicle (RSV) materials; and several others.

By a ratio of roughly two to one the callers are focused on a single issue, and this translates into a single request. That is oppposed to multiple requests where the caller generally asks: "What is it that you have that you can tell me about?"

I have here, and would be glad to submit for the record if you would like this bulk, the materials which in fact are available immediately through that mechanism.

And, of course, as I said, a detailed or a complicated request is referred to a specialist within the agency and becomes the basis for a personalized response by the agency addressed to the individual.

Senator ANDREWS. We would appreciate getting that for the subcommittee staff and the study of the subcommittee, but given the costs of publishing the record I would hesitate to put it in as a part of your testimony. It will be most helpful to the subcommittee staff.

Mr. PECK. I fully understand.

Given the cost of publishing the carbook, may I delete that publication from it?

Senator ANDREWS. We've got copies of the carbook.

Mr. PECK. I think you have, yes. That was the basis for my request.

HOTLINE CALLS BY GEOGRAPHIC AREA

Senator ANDREWS. Are you finding any load of particular requests from any particular area of the country? In other words, does the East have a different concern than the West. Of course you really haven't studied that, but I imagine when you push that up on your computers it's one of the things you can spill out. You know where you come from on the request and what requests are coming in from what part of the country.

Mr. PECK. As I said, that would be a part of the evaluation plan for a more aggressive promotion of this consumer information material.

I might add, I just recall as I speak, when the carbook was originally published there was a particular television appearance by my predecessor which occurred in early December, initially, and was repeated over time for about 2 months.

In conjunction with trying to determine what the dimensions of demand disclosed by that request were, we had very sharp geographic peaks based upon the individual media outlets where that syndicated show was being shown.

We do have that. And it showed nothing more nor less by way of geographic distribution than that when that show was aired, there was a sharp spike in demand and then it tapered off.

HOTLINE VERSUS CARBOOK

Senator ANDREWS. Have you made any comparison of the quality and quantity of consumer service provided through the hotline as compared to the carbook?

Mr. PECK. We think the hotline is a superior service, based upon what we did to decide what we should be doing. We did a detailed market analysis of what people want, the way in which we are responding on a dynamic basis to what people have been asking for, how they've been asking for it, and how we could respond better.

As I say, we have identified problems. This is one of the areas of the agency, one of the very few, where I'm not genuinely proud and satisfied with performance.

For example, we had a number of consumer reporters in the media who called into the hotline asking for crash test information. Now crash test information is by a factor of three or four to one the largest single bit of requested information that we receive.

And the materials that were given out were in our judgment clear, concise, prepared by the agency's experts, and designed to convey a sequence of gradually more complicated information so that even the most sophisticated or the least sophisticated recipient would be able to understand the program.

We had a number of severe criticisms made to me, to the agency, formally, informally, what have you, that this document wasn't intelligible. Well it was intelligible to me. But that, obviously, is not the answer.

So we contracted with a specialist in document design to look at two areas of the agency, I might add. One was the recall letters and one was the hotline. And they came back and told us the information wasn't intelligible.

And, so, we have contracted for the redrafting of that information. We have received the results of that contract and the proposed redraft. And I must admit, it's a much better document.

It seems we do not have experts in the agency who can address the specific linguistic problems in communicating with people. We have hired those experts and that contract is well underway.

SMALL CAR RESEARCH STUDY RESULTS

Senator ANDREWS. Last year you indicated that an R&D project was underway to study small cars and their safety performance.

What performance improvements have been sought with industry? In other words, you've studied them, you've found out what their safety performance did, and now what have you done with the study.

Mr. PECK. If you please, I have to break that into two questions.

What we've found in the analysis was that we weren't showing up problems. That the anticipated increase in fatalities that we expected to occur when the vehicle fleet downsized was not in fact occurring.

So in terms of either a defect preceding, or a new standard which would be referrable only to vehicle size, we have had no basis for proceeding.

On the specific set of contracts that we were referring to last year on small cars, I would like to ask Mr. Michael Finkelstein, who is our Associate Administrator for R&D, to summarize what we are doing in that area to anticipate problems, and beyond those problems what we would expect to be generated by our fatality accident statistics.

Mr. FINKELSTEIN. Specifically, what has been occurring in the program is that its orientation has shifted so that most of the hardware research is concentrated on small cars. Not because they are a disproportionate problem, but as more and more of them get into the fleet the safety problem necessarily becomes a small car problem.

The area that we're doing most of our work on small car safety improvement is in the crash worthiness area and its side crash protection.

Within the next 3 or 4 months we should know whether or not the developments that we've worked on for about the last 2 years will result in substantial improvements in side crash protection as the result of a fairly large scale crash program that started last month.

The other area that we're giving a lot more emphasis to than has been done in previous years has been crash avoidance work. This is an area that has been much more difficult analytically to deal with because it's much harder to understand why specific cars get in crashes.

And for the first time we're going through a fairly large scale exercise to characterize the handling, stability, and controllability aspects of small cars versus all other cars.

And we don't yet know whether we're going to be able to come up with differences or characteristics that are going to be solvable.

But those are the two major thrusts where we're looking at small car safety now.

INDUSTRY USE OF NHTSA RESEARCH

Senator ANDREWS. In your early work in R&D and small car crash resistance, have you passed that information on to the manufacturers; am I to understand that changes have been made in safety designs and structural design?

Mr. Finkelstein. The easier answer is yes. All of our work is publicly available.

Senator Andrews. I recognize the work is publicly available.

The key part of the question is, have the manufacturers been responding by making those ongoing changes?

Mr. Finkelstein. In some cases, yes. In a number of cases, we've seen a lot of evolutionary changes in cars as a result both of the techniques that have been developed by the Government, and as the result of some of the hardware research that is going on.

One of the areas that I think we're probably proudest of is the work we've done with VW of America to develop research on small car crash protection. And we can see vehicle modifications that look like they make sense. VW has been saying many of these modifications are going to work their way into the next generation's cars when they go for the model changeover.

Senator Andrews. Are these changes because of the studies that you carried on or changes that would have been made in the way of product improvement by the manufacturer in any event?

Mr. Finkelstein. In this instance I think they are largely the result of the research we sponsored. Certainly the auto industry spends a lot of effort on product improvement. And whenever they build a new model car they are concerned about making it as safe as they know how.

But this is an area that I think there has been greatly expanded attention because of our work.

RESEARCH PRIORITY DETERMINATION

Mr. Peck. I might add, Mr. Chairman, one of the things that I am most proud of is also one of the things that has turned out to be the most controversial.

In mid-1981 I directed the six experts in the agency to address for the first time within the agency the principle of cause and effect as it relates to motor vehicle injuries, and fatalities, of course.

We had undertaken a rulemaking plan in the past which was really directed by and to what we already knew. And the results of that series of technical papers was disclosed in February 1982 and published at the SAE, the Society of Automotive Engineers, World Congress in Detroit.

It triggered an enormous response within the industry. The papers were distributed in advance. There were panels, what have you.

But the point is, the agency took the initiative in generating its view of how one would go about establishing technology priorities in trying to protect the occupants based upon what it was about the cars that was injuring the occupants.

That has been an enormous incentive to the industry in some areas where the industry really wasn't focused either. One of the results of that, however, was that when we looked at our budget and we looked at what we knew about what the companies were doing, it seemed not only appropriate but absolutely necessary from a responsible standpoint, in addressing a safety problem in R&D, for the agency to seek to obtain from the companies information more specific than we had ever gotten before about what their research is disclosing.

That exercise has been castigated and criticized I think about as much as anything else that this administration has done, by among others, my predecessor. It has been called everything from secret research to a hidden agenda by which the car companies dictate our regulatory priorities.

It is so unsecret that I testified with some pride last year before this committee and other committees that, in fact, we were undertaking this effort.

So what we have done is, seek first to identify where the problems are; second, identify what our research priorities should be to address them; and third, identify what the universe of research going on in the community—not just the industry but in the academic community, which have very substantial resources—in order to bring to bear all R&D in a coordinated way to identify those objective facts to form a base from which we should all be proceeding.

We have not in any sense disclosed, compromised, or otherwise subverted an R&D rulemaking agenda. Because what we're talking about is far in advance of anything that would be the subject of a rulemaking proceeding.

It has been a very controversial program. And if I infer the thrust of your last question correctly, I must report with dismay that when we have tried to do what seemed to be the implicit premise of your previous question, it has turned out to be very controversial.

We have not desisted in any way from that. The next generation of the SAE papers has been completed and will be delivered at the SAE meeting next month, and they relate to crash avoidance.

All we've done for the first time is rationalize according to cause and effect the management of the agency across all offices. And I am particularly proud of this effort.

Senator ANDREWS. Are cars safer as a result of all of this R&D?

Mr. PECK. Not as the result of the last 2 years; no, of course not. Because what we're talking about are generational changes.

They certainly are safer because of the changes that have been incorporated already into individual models based on previous agency research and R&D efforts, including the RSV.

INDUSTRY RESISTANCE TO RESEARCH FINDINGS

Senator ANDREWS. You know, all this research which you study very closely, and the people in your shop that are responsible for working with it on a day-by-day basis, have you knowledge now of any particular significant type of change that your research would indicate and have advised that the manufacturers are unwilling to go with?

Mr. PECK. The manufacturers unwilling to go with?

Senator ANDREWS. That's right.

In the R&D you've been doing in the last couple of years if you turned up, you know, if you paint the right front fender red you don't have as many accidents than if you paint it blue—who knows.

But if you've come up with a piece of information on how to reduce injury in crashes, have you in any of these instances found an unwillingness on the part of the manufacturer to put these innovative practices into effect?

Mr. PECK. I know of none. The threshold question, of course, is, have there been any major disclosures? The answer to that question is, yes, there have.

Senator ANDREWS. But my point is, have any of these major disclosures been turned down?

Mr. PECK. I don't believe so. I'll ask Mr. Finkelstein to answer in detail. He deals with them on a more current basis.

Mr. FINKELSTEIN. I'm not aware of any. I mean it would be nice if everybody was putting air bags in.

Senator ANDREWS. True, but barring air bags.

I mean if you find a way of welding an *x* frame or doing something to a door, reenforcing steels, or strengthening the top. If you find significant evidence that such a manufacturing technique will reduce injuries, your experience shows manufacturers are moving this change into their new product at the earliest possible opportunity.

At least that's what I understand you are telling us.

Mr. FINKELSTEIN. No; I'm not aware of any major changes. And minor changes, whenever they come up, as far as I can see, get integrated reasonably quickly into the design techniques that are used in building cars.

Mr. PECK. Based on our own experience at my level within the agency, there are a number of significant areas that we had looked at where the industry is in fact ahead of the agency.

I can cite particularly the Securiflex windshield. Securiflex is a trade name. It refers to a plastic laminate on the interior of the windshield.

We have had petitions pending before the agency for years and years, and the agency never considered proposing to amend our abrasion resistance standard to allow that use until we did so.

We have been requested by a number of manufacturers to consider experimental use of the technique, and we have authorized that to the limits of our statutory authority.

Those vehicles are currently being produced and will become an additional test fleet to that being followed very closely in Europe.

I know of no areas where the manufacturers did not leap on anything that we turned up that they weren't either focused on or emphasizing in their own research.

BUMPER STANDARD MODIFICATION

Senator ANDREWS. You're the ones that recommended the weaker auto bumpers.

Mr. PECK. Yes; well, actually not entirely. It was the Senate—no that's not correct. The bumper standard impact speed was changed by this administration from 5 miles an hour to 2.5 miles an hour.

Senator ANDREWS. The Senate didn't do that; did we?

Mr. PECK. Yes; it passed a law, and the conferees accepted it in 1980, that would roll it back to 2.5.

But the House did not enact that authorization bill for the agency based upon the air bag issue, which was also present in the legislation.

I don't mean, Mr. Chairman, either to be flippant or to be passing the buck on that issue.

Senator ANDREWS. Well 1980 was before I was onboard this body. But if I did in the other body it's my fault.

Mr. PECK. It was part of the NHTSA authorization. Both the amendment by Senator Warner to provide for air bags and the rollback of the bumper standard from 5 to 2.5 was passed by the Senate, accepted by the conferees in the NHTSA authorizaton bill, and then defeated in the House when the conference bill was reported back to the floor.

I have to point out as well, however, that the economic research that was the basis for that decision was started in 1977 by the agency and the basic study was concluded in April 1981 just after this administration came into control of the agency.

BUMPER STANDARD COST COMPARISONS

Senator ANDREWS. The story that I read in the Washington Post goes like this; it was there last week. You probably noticed it.

It says the National Highway Traffic Safety Administration lowered its standard for bumper strength last July, arguing that the 5-mile-per-hour bumpers added to the costs of cars and to fuel use because of their weight.

Mr. PECK. That's correct.

Senator ANDREWS. That puts the monkey pretty well on your back.

Mr. PECK. Oh, I'm sorry. It was our action, as I believe I stated.

Senator ANDREWS. And in doing that, allowing those weaker bumpers, it has resulted in sharply higher auto repair costs.

Mr. PECK. That certainly is a premature judgment that's been made by the representatives of the insurance industry who commonly either sue us or comment to us with disfavor on just about anything we propose to do.

Senator ANDREWS. That's true, but you have an interesting difference of opinion in two paragraphs of this story. One paragraph says that you're arguing that the 5-mile-an-hour bumper has added to the cost of cars. The other paragraph is that the 2.5-mile-per-hour crash bumpers result in sharply higher auto repair costs and insurance costs.

Has there been any study as to who ended up ahead?

Mr. PECK. Yes; the first paragraph is undoubtedly true. The second paragraph is probably not even true as stated, but in any event is not inconsistent with the first paragraph.

What happens is this. When you're talking about the costs to the consumer, which is the only criterion that we have before the agency, it refers to the maximum feasible reduction in costs, not increase in benefits, but reduction in cost to the consumer. That's the language of the statute.

Senator ANDREWS. Are you talking about first cost only or are you talking about the cost of owning the automobile?

Mr. PECK. That's the point. The data that was released last week refers only to a very selective universe of cars that were crash tested under circumstances that we do not know. And which related only to that first element of potential costs, which is avoided damage.

I'm sorry, I didn't mean first in time. I meant avoided damage.

Senator ANDREWS. I'm talking about when you do your studies—let me restate the question.

When you do your studies of cost to the automobile driving consumer, are those costs based on first cost of the vehicle only or on the cost of purchase, owning, and operating the vehicle?

Mr. PECK. They are purchase, owning, and operating over the life of the vehicle.

Senator ANDREWS. Then could you provide at this point in the record what your latest figures would indicate on the 2.5-mile-per-hour bumper versus the 5-mile-per-hour bumper on cost to the automobile user?

Mr. PECK. Sure.

Senator ANDREWS. Would it include the insurance and the costs of repairs?

Mr. PECK. It even includes how much time it would take you to get three estimates for each incident and how much delay and inconvenience factor is involved if you have to go through the hassle of renting a car. It goes to everything.

[The information follows:]

COST TO THE AUTOMOBILE USER

The agency's latest information on 5-mph versus 2.5-mph bumpers, as expressed in its final regulatory impact analysis (May 1982), is that 2.5-mph bumpers will yield $28/car more in lifetime (10 year) net benefits than would 5-mph bumpers. This $28/car net benefit is based on $93/car in gross cost savings (the benefits) offset by $65/car in higher repair costs, increased delay, etc.

The $93 per car in benefits are comprised of the following:

Lower initial car prices	$39
Primary bumper components ($26)	
Secondary weight costs ($13)	
Reduction in finance charges	4
Lower lifetime fuel costs due to reduced weight	50
Total	93

The $65 in higher repair costs, etc., are comprised of:

Increase in repair costs	$47
Increase in insurance administration costs	12
Increase in value of delay and inconvenience	6
Total	65

The repair costs shown by the insurance industry tests are not directly relevant because very few crashes occur precisely at 5 mph and most (85 percent) occur at under 2.5 mph. In fact, since cars are still protected at 2.5 mph, the only relevant data are the frequency and repair costs of damage-producing accidents between 2.5 and 5 mph. Agency analyses show that the average car would experience damage in the 2.5- to 5.0-mph range only 0.2 times over its 10-year life. Put another way, the average car would have to be driven 50 years to experience such damage. Hence, the repair costs shown are lower than those claimed by the insurance industry.

As can be seen, the agency's analyses included all elements of costs and benefits, both initial and lifetime.

OVERSTATED VALUES

Senator ANDREWS. In North Dakota we don't worry about three estimates, because we don't have three garages in most of our towns.

Mr. PECK. Well, that's an example of how we have overstated the values on behalf of the consumer. We have assumed for every accident there will be three estimates sought. And we have calculated the time for acquiring those estimates. Every accident; even the ding that you don't even consider having repaired.

In assessing the costs to the consumer of the lighter bumper we took all of those factors into account.

Overall on a fleetwide basis, which is really the only basis we can look at it, the net saving to the consumer of the change was $28 per car.

Senator ANDREWS. We've got a lot of counties out there that you couldn't find three automobile dealers in the whole county.

Mr. PECK. I understand.

ALCOHOL SAFETY INCENTIVE GRANTS

Senator ANDREWS. Anyway, let's get off of the automobile standards and get on to the driver standards.

We've worried about the safety of the automobile, but we haven't said anything about the nut behind the wheel, as the old saying goes.

Your Alcohol Traffic Safety Programs Act included an authorization for fiscal year 1984 of $50 million in State grants for alcohol safety. You've budgeted the full amount.

The department issued a regulation regarding criteria the States must meet in order to qualify for these basic grants.

What are these criteria and how many States do you see as likely to qualify?

Mr. PECK. There are two categories of criteria. The first four relate to those established by the Congress as the mandatory minimum for receiving any basic grant.

The next 21 that the agency has adopted in our rulemaking are criteria from which the States can choose in drafting their program to make the State eligible for the second tier or supplemental grant.

I would be glad to supply for the record the list. I'm sure you don't want me to go through the 21.

Senator ANDREWS. No.

[The information follows:]

LICENSE SUSPENSION PROGRAM

To qualify for a supplemental grant of 20 percent of its 23 U.S.C. 402 apportionment for fiscal year 1983, a State must have in place and implement or adopt and implement a license suspension system in which the average time from date of arrest to suspension of a license does not exceed an average of 45 days, and have in place and implement or adopt and implement 8 of the following 21 requirements.

1. Establishment of 21 years of age as the minimum age for drinking any alcoholic beverage.

2. Coordination of State alcohol highway safety programs.

3. Rehabilitation and treatment programs for persons arrested and convicted of alcohol-related traffic offenses.

4. Establishment of State task forces of governmental and nongovernmental leaders to increase awareness of the problem, to apply more effectively drunk driving laws, and to involve governmental and private sector leaders in programs attacking the drunk driver problem.

5. A statewide driver record system readily accessible to the courts and the public which can identify drivers repeatedly convicted of drunk driving.

6. Establishment in each major political subdivision of a locally coordinated alcohol traffic safety program, which involves enforcement, adjudication, licensing, public information, education, prevention, rehabilitation and treatment and management, and program evaluation.

7. Prevention and long-term education programs on drunk driving.

8. Authorization for courts to conduct pre- or post-sentence screenings of convicted drunk drivers.

9. Develop and implementation of statewide evaluation system to assure program quality and effectiveness.

10. Establishment of a plan for achieving self-sufficiency for the State's total alcohol traffic safety program.

11. Use of roadside sobriety checks as part of a comprehensive alcohol safety enforcement program.

12. Establishment of programs to encourage citizen reporting of alcohol-related traffic offenses to the police.

13. Establishment of a 0.08 percent blood alcohol concentration as presumptive evidence of driving while under the influence of alcohol.

14. Adoption of a one-license/one-record policy. In addition, States shall fully participate in the National Driver Register and the Driver License Compact.

15. Authorization for the use of a preliminary breath test where there is probable cause to suspect a driver is impaired.

16. Limitations on plea-bargaining in alcohol-related offenses.

17. Provide victim assistance and victim restitution programs and require the use of victim impact statement prior to sentencing in all cases where death or serious injury results from an alcohol-related traffic offense.

18. Mandatory impoundment or confiscation of license plate/tags of any vehicle operated by an individual whose license has been suspended or revoked for an alcohol-related offense.

19. Enactment of legislation or regulations authorizing the arresting officer to determine the type of chemical test to be used to measure intoxication and to authorize the arresting officer to require more than one chemical test.

20. Establishment of liability against any person who serves alcoholic beverages to an individual who is visibly intoxicated.

21. Use of innovative programs.

To qualify for a supplemental grant of 10 percent of its 23 U.S.C. 402 apportionment for fiscal year 1983, a State must: (1) Have in place and implement or adopt and implement a license suspension system in which the average time from date of arrest to suspension of a license does not exceed 45 days: and (2) have in place and implement or adopt and implement 4 of the 21 requirements specified above.

To qualify for a supplemental grant for a second and a third year, a State must:

Show that it has increased its performance for each of the requirements it adopted in the prior years; and

Adopt 2 more requirements from the 21 for each subsequent year, except that a State does not have to implement more than a total of 15 criteria.

ENCOURAGING FURTHER ACTION BY STATES

Mr. PECK. Basically what we were trying to do is this. It was the clear intent of the Congress to make this program apply to an incentive effort. That is, to encourage further action by the States.

We were faced with the anomaly of how to reward States that had already upgraded their laws significantly. What we have done, I think, is to achieve a balance between the stringency that was advocated by the draftsman and the committees in charge and the flexibility needed by the States.

There are at the moment six States that would qualify. We expect eight more during this fiscal year. We expect that a total of 32 would have qualified by the end of the next succeeding fiscal year.

DRINKING BEHIND THE WHEEL

Senator ANDREWS. The Washington Post reported that the Virginia Legislature defeated a bill expressly prohibiting drinking behind the wheel.

In how many States is the law either silent or ambiguous on driver drinking?

Mr. PECK. Driving and drinking in general?

Senator ANDREWS. Drinking behind the wheel. Tooling down the highway with a can of beer or a bottle of booze in your hand, driving with one hand, holding on to the drink in the other.

I understand the Virginia Legislature said that's OK in Virginia.

Mr. PECK. I don't know. I can tell you that for the States with which I am familiar on the subject addressed, it as an open container issue, which prohibits not the drinking but the carrying of alcohol in an open container in a motor vehicle. There are a very significant number of those States.

Senator ANDREWS. It's difficult to drink if you don't have an open container in the vehicle.

Mr. PECK. That's right. But there is no reason why the fact that an officer hasn't seen you take a swig should be a basis for your not having violated this kind of a law. That's the purpose.

I do not know the specific number. I would be glad to supply it for the record.

Senator ANDREWS. Also include how many States have an open container law.

Mr. PECK. OK.

[The information follows:]

Nineteen States have open container legislation. They are: California, Hawaii, Idaho, Illinois, Kansas, Maryland, Michigan, Minnesota, Montana, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Utah, Washington, and Wisconsin.

Senator ANDREWS. Have you included this as a criteria for States receiving section 408 supplementary grants?

Mr. PECK. No; but it is one of the criteria that we would be able to recognize either under the supplemental grant criteria or as one of the recommendations of the President's Commission on Drunk Driving.

It is not a specifically separate criteria, but we could recognize a change in law and consider that the satisfaction of one of the criteria, namely supplemental grants.

TRUCK SIZE AND WEIGHT LIMIT LIBERALIZATION

Senator ANDREWS. What projects do you have underway or plan to undertake in response to liberalization of truck size and weight limits?

Mr. PECK. I'll have to call in Mr. Finkelstein again and ask him to join us.

We have a major effort underway at the Transportation System Center in Cambridge, Mass., addressed to the threshold question of trucks.

I have to say that when I came into the agency the one area where I had the most trouble understanding the problems and understanding what we were doing about the problems was in trucks.

Historically trucks are different from cars. There aren't 4 or 5 or 10 manufacturers. There are literally over 300 manufacturers of trucks. Every major truck is basically a custom vehicle.

So your target of opportunity by way of a motor vehicle safety standard is drastically reduced because you don't really know much about the truck at the outset.

In addition, trucks are used in a number of ways, on different types of road, for different purposes.

And until now no one had ever tried to collect in one place what was known about the industry, the truck and the manufacturing and use process, in order to determine how to address the obviously serious or perceived to be serious problem of truck safety.

That is the study for which we have received a draft completion from the TSC. Of course we had the truck accident causation study which was directed by the appropriations legislation in 1981 and submitted to the Congress last year.

I wasn't happy with the results of it because it didn't tell me what I needed to know as the Administrator, which is what do I do to try and get at this problem.

The basic problems identified in that study were drug use, excessive fatigue, driver error, things like that.

Senator ANDREWS. But to get back to the question that I asked, because of the increased length, widths, and weights permitted by the legislation that passed last December, have you done any studies on the impact on safety on the roads?

Have you done or asked to be started studies that will determine whether or not 102-inch-wide trucks, because they have a lower center of gravity might, in fact, fishtail less and be safer than the narrower, higher vehicles?

Mr. PECK. I'm sorry. I hadn't realized that the question was that specific. Excuse me.

Senator ANDREWS. The question was, what projects do you have underway or plan to undertake in response to liberalization of truck size and weight limits?

Mr. PECK. The Surface Transportation Assistance Act that was passed by the Congress in December requires five specific studies of the agency. Three of those studies are addressed to trucks. One of them is addressed to this particular question.

Within the Department that will be administered by the Federal Highway Administration and the National Academy of Sciences.

There is a study, the planning for which has already begun, which was directed by the Congress in the Surface Transportation Assistance Act.

Senator ANDREWS. Are you undertaking any other studies than those that you were directed to undertake?

Mr. PECK. Yes; and we will participate, of course, in that study.

I'll ask Mr. Finkelstein to answer in more detail on the other questions which are unique to this agency and our initiative alone.

Mr. FINKELSTEIN. Yes; one of the major problems that this agency has been reviewing and studying over the years is the whole question of truck handling and stability capabilities.

When a truck goes out of control, obviously it can do a great deal of damage. And trucks, because of the way they operate, going from a very heavy weight when they are loaded to a much much lighter weight when they are unloaded, have braking systems and suspension systems that obviously operate over a much wider range than, say, a passenger car system.

We have two major efforts. One of them was to develop a model that, in fact, can predict just how trucks handle in different conditions. We are in the process of expanding that. And that means getting a lot more data on the performance of trucks at the upper end to see what happens as you build bigger trucks. So the model has the capability of reporting on that.

In addition, we're undertaking studies to expand the work we've been doing on air brake systems. Particularly handling, their compatability as you get trailers and tractors trying to match to see what happens as you expand the upper end of those vehicles, as you get them larger and heavier.

STAFFING REDUCTIONS

Senator ANDREWS. The budget proposes a cut in fiscal year 1983 of 69 positions; from 686 to 617. Our conference report expressly indicated that you should operate during fiscal year 1983 with 640 positions.

On what basis are you ignoring the congressional intent in this matter?

Mr. PECK. Mr. Chairman, this also is a matter of particular concern to me, because there have been a number of mistaken impressions throughout the agency, and throughout our union, as to the impact of those numbers.

Let me summarize, if I may.

The 640 figure was the figure that was, in fact, used by us in our submission of the budget of 1983. But it was not intended to be represented by us.

And I believe no where in the congressional documentation is it expressed as a representation by us that that is a correct or a right number.

Subsequent to the 1983 submission, as determined by detailed management reviews which we promised in my testimony presenting the fiscal year 1982 budget, we did a very, very detailed review office by office and position by position to determine those areas in which we were inefficient.

I'm not now talking about program direction of what we were doing. I'm talking about how we were doing what we were doing.

The result of that exercise came out in the spring of the last calendar year, and when we translated into manpower requirements in July, it indicated to us that the optimum level for us would be 586. That is 586 permanent full-time employees.

That is the number based upon which the 617 was derived for the authorized number. The 586 represents not an assessment of how many people we wanted to cut, would cut, or could afford to cut, because money is no constraint in this particular circumstance. It is a position ceiling.

The 586 represents our absolute best judgment on a very specific basis as to the manpower staff to perform what we are performing most efficiently.

To pick one example. We found overhead rates for particular offices that were two or three times the overhead rates for other offices, without any indication in the data as to why that should be.

REACHING EMPLOYMENT LEVEL OF 586

It is our estimate that 586 is where we should be. We came in with that estimate in the summer of last year.

In the course of my discussions within the agency once we had determined that number, I asked what the facts would be with respect to our overall personnel level in terms of turnover.

And it seemed to us that based upon the turnover rates which the agency had been experiencing for several years—which were not, I hasten to say, particularly extravagent in relation to all previous years—that we should not have had to exercise any involuntary separations in reaching the 586 level.

That was the basis for what has become generally misunderstood as an assurance that we weren't going to cut any staff.

In the last quarter of calendar year 1982, for some reason that we still don't understand, attrition dried up very substantially. And it began to look as if we would not, in fact, meet that goal through attrition.

In the 1984 budget submission, we reflected estimated year-end strength of 586 employees in both fiscal years 1983 and 1984. As a result, what we really were faced with within the agency was an ideal number that we could have reached within our authorized ceiling as late as the end of calendar year 1984.

The question that we asked ourselves was in light of the fact that uncertainty over RIF's, uncertainty over whether any would be needed, uncertainty over the rate of replacement, uncertainty over management ability to exercise its responsibilities, the morale of the agency would be better served if—again based on our assumption we would not need a RIF—we in fact sought to achieve that level at the end of fiscal year 1983.

So, in effect, we were choosing for management purposes, and for the morale of the agency purposes, to achieve it earlier than we would otherwise have had to. But, again, a fact—not a condition, but a fact—of that judgment was that we would not have to execute a RIF in order to do so.

Now as the result of the last quarter it looks as if we would have to. And the Deputy Administrator has so informed the managers.

That was widely, widely misconstrued. The number that we were currently over ceiling was construed to be the number that was expected to be over ceiling at the end of the year; that was 42. All of that was a needless confusion for which we have to take responsibility.

The fact as it stands now is this. When it began to appear that we looked as if we might need a RIF, to reach that level by the end of 1983, I went to the Secretary who deferred the decision to the new Secretary, and requested relief, not from the ultimate employment level of 586, but from the timing of the achievement of that number.

As Mrs. Dole testified yesterday before the other House, she will execute whatever relief is necessary to avoid a RIF in this year.

But the point is, the 586 is the right number. The question was when we should achieve it. The reason why we chose to achieve it earlier than we would otherwise legally have had to was precisely to end uncertainty and confusion and begin to allow my managers to start correcting the distortions that occur when you rely upon turnover to reduce an agency's personnel.

STAFFING LEVEL INDICATED IN CONFERENCE REPORT

Senator ANDREWS. Let's get back to the reason I asked the question.

As you recall in the genesis of the appropriation bill last year the House came in with a figure of $70 million. We came in with a figure of $78.133 million based on the testimony that you gave during the regular hearings.

Now you're telling us that sometime last summer you came to the conclusion that you could get along just peachy-keen with 586 positions.

You know, this thing didn't go into conference until the early part of December of last year. Long after you made that decision.

If you would have shared that decision with us, there is no reason why we would have had to arbitrarily put into our conference report the permanent positions of 640, hung tight with splitting the difference with the House instead of yielding to the House, and we would have affected a number of savings.

If you can get along with fewer people and do your job with fewer people, why don't you let us know before we go into these conferences and start trading off agencies and trying like heck to save what we had been told by you was needed, but what you had decided in the meantime wasn't necessary.

Mr. PECK. Mr. Chairman, I have to personally apologize for any confusion on this question. This is the first time I understood this to have been an issue of concern in the conference for this reason.

Senator ANDREWS. It's always an issue.

Mr. PECK. We have always received appropriations sufficient to pay personnel. We have always had the salary dollars. The economic constraints on our budget that was the basis for our submission last year, which was in part recognized by this body in adopting the $78 million level, provided for a slight reduction in salaries due to staffing reductions initiated in the previous year.

We needed the money. And that money is still desperately needed at the level that we have requested. But that money is for other requirements, not salaries. We have always had enough money to pay our employees. The problem has been the ceilings that were imposed, both within the administration by us and outside the administration.

Senator ANDREWS. I understand the ceiling is up around 617.

But can you assure us, and are you assuring us now, that the 586-person base can fully carry out your safety responsibilities?

Mr. PECK. That is our judgment, yes. And it would have been our judgment at the time of conference.

I apologize if the 640 was inserted as an attempt to assist the agency. That's not where the assistance was necessary.

Senator ANDREWS. We appreciate that. One final question, and I have a series of questions for the record that I'm going to submit, and you can answer for the record.

Mr. PECK. Surely.

RULEMAKING BUDGET INCREASE

Senator ANDREWS. Your budget indicates a $250.000 increase under rulemaking for the contract program justified as necessary to examine, as you say, alternatives in Federal standards.

This sounds like spending more to figure out a way to do less, since rulemaking includes those areas where the Federal Government is already doing less; bumper standards, fuel economy standards, tire standards.

Why do you want more money for the contractor?

Mr. PECK. The anomaly that does exist is that it does cost us at least as much, if not more, to exercise the prudent judgments that we have exercised in all areas of regulatory reform. That particular dollar value has to be read in conjunction with the economies that were made elsewhere in the rulemaking budget, both in terms of personnel and in dollars.

For example, we discovered in the rulemaking office that there was a significant overlap between the regulatory analysis function being performed by our policy and planning office and the same function being performed by a separate staff in rulemaking.

We cut positions, but that doesn't mean that we don't need the additional funding for additional purposes.

Basically the regulatory analysis exercise and the requirement to comply with the regulatory calendar imposed upon us by the executive order and the Congress, requires that kind of a prudent increase.

But the anomaly does in fact exist that it costs at least as much, if not more, to exercise prudent judgments in regulatory reform.

If we were just wiping out regulations, we could do it an awful lot cheaper. If we were interested in wiping out regulations, we could do it an awful lot cheaper.

It is in the evaluation of regulations, in the evaluation of their effect in terms of safety that we are expending this kind of money and for which we have asked this increase.

SAFETY BELT CONGRESSIONAL DIRECTIVE

Senator ANDREWS. When do you intend to submit to the committee your description of how the conditions for the government-wide mandatory safety belt use policy will be established and a program plan for specifying the increase in the safety belt useage rate is expected to be achieved by your program?

As you recall you were directed that you couldn't spend any money from operations and research funds, for new contracts related to the program until you submitted that information.

Do you have that information now?

Mr. PECK. We are virtually ready to submit it today, Mr. Chairman. I read the last draft last night. I made some changes and it wasn't typed in time.

It will be submitted to this committee, of course, and to the committee in the other House I would expect within the next day or so.

Senator ANDREWS. In the meantime you haven't been obligating any such funds?

Mr. PECK. That's correct. We had been using for any contracts only some prior year money before the enactment of the legislation to which that conference report was addressed, but not subsequently.

ENFORCEMENT BUDGET INCREASE

Senator ANDREWS. One other intriguing thing in your budget.

For enforcement you request $469,000 more in fiscal year 1984 to conduct fewer tests.

Mr. PECK. Cars cost more.

Senator ANDREWS. What lead you to get into that?

Mr. PECK. Cars cost more. We buy every car we test off a showroom floor to make sure the manufacturer has not had the opportunity or power to effect the outcome of the tests by jiggering the specimen.

And as the sticker shock affects the man in the street, it affects our enforcement budget too.

That is why we have a slight decrease in the overall number of items to be tested. A portion of that budget as well relates to the new car assessment program. In that we have either maintained stable or increased by one car.

But we added to the overall budget, to the overall activity of the new car assessment program, an entire new series of crash tests, 12 in number, at the Federal expense for repeatability and reproduceability.

SUBMITTED QUESTIONS

Senator **Andrews**. Thank you very much. We'll submit additional questions for the record. As I understand it Senator Chiles asked questions that he wishes to submit for you to answer for the record. Other members of the subcommittee may well have questions for the record. I'm sure you'll get those ready in the proper time.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

CONSUMER SAVINGS AS A RESULT OF REGULATORY REVIEW

Senator Andrews: Last year you estimated that as a result of your regulatory reform efforts, consumers may "potentially save several billion dollars annually." What are some specific examples of these consumer savings, achieved by NHTSA without compromising safety?

Response: Specific examples of the most significant savings to consumers achieved through NHTSA's regulatory reform efforts include:

o Annual savings of approximately $980 million resulting from the rescission of the Automatic Occupant Protection requirements of FMVSS No. 208, achieved without any significant effect on safety. Adverse safety effects would not result from this action because expected compliance would be by means of detachable automatic belts which would not be used in greater numbers than is the case with current manual belts. Current increased levels of usage observed in existing cars are producing usage benefits equal to or greater even than the effect had the standard been retained in its original form.

o Estimated annual consumer savings of $308 million in vehicle and fuel costs as a result of the amendment of the bumper standard. (This amendment requires protection in low-speed accidents at an impact speed of 2.5 miles per hour instead of 5 miles per hour.) This number takes into account expected increases in property damage in low-speed crashes. However, these would be more than offset by vehicle price of fuel savings.

o Annual consumer savings of $130 million resulting from the termination of a proposed rulemaking action that would have required the installation of costly low tire pressure warning devices in motor vehicles.

The actions resulting in these savings to the consumers were undertaken without compromising safety or consumer-related goals. In total, our regulatory reform efforts should save consumers more than $1.5 billion annually.

NATIONAL DRIVER REGISTER

Senator Andrews: NHTSA originally had requested zeroing-out funding for the National Driver Register, but in FY 1982 maintained a 16 person $1.6 million program. Your concerns have been with the volume of data, and the time lost through mail notifications to States issuing drivers licenses. What level of NDR support is maintained during FY 1983?

Response: We are currently projecting a total of $1.6 million. This includes $1.3 million for contractual requirements (including $300 thousand carryover funds from FY 1982 which is being applied to the new on-line system design effort) and $327 thousand for salary payments to 11 full-time permanent employees, two full-time temporary employees and one student aide.

The volume of file checks decreased from 21 million in calendar year 1981 to 18 million in calendar year 1982, but file additions and updates resulted in the file size increasing from 6.9 million to 7.5 million records. The decline in inquiries is attributed to the lengthened renewal cycle instituted in many States, and fewer inquiries from a number of States for unknown reasons.

The time lost through mail notifications is the single most critical concern. The new law passed by Congress in the last session will modernize the NDR to reduce the response time from several days to a few minutes by means of electronic transfer of information. Not all States however will at the outset possess the capability to participate at that level of technical sophistication. For those States that cannot we will be offering another level of service, "remote batch," which will provide 24-hour response. We will begin that service with a few States during this fiscal year.

Senator Andrews: How are you implementing the newly enacted National Driver Register legislation?

Response: The first step in implementing the new legislation will be the award of a contract to prepare the design of the system. Contractor bids were received on February 24, 1983, and an award is planned during April.

Rulemaking will begin later this year, with publication of a Final Rule in the spring f 1984. The Rule will describe the procedures for the transition to the new system.

By April, 1985, four States will be selected to begin the pilot program to test the feasibility, economy, and effectiveness of the new system. Following the conclusion of the pilot program, an evaluation report will be prepared and submitted to Congress by October 1986.

Senator Andrews: How many States will participate?

Response: Initially, four States will participate in the pilot program to commence in FY 1985. Upon successful testing of the new system, it will be extended to other States, as resources permit, beginning in FY 1986. Presently it is anticipated that only 35 States will participate "interactively" (i.e., capable of "instantaneously" sending and receiving data), and that these States will be operational by FY 1990. The remainder will participate in a "remote batch" mode, whereby inquiries will be processed one night and responses transmitted back over the network the following night.

Senator Andrews: What level of funds are required? Are these for the NDR itself, or the pilot test program?

Response: The planned expenditures for the pilot program are $2.3 million: $300 thousand in FY 1983 and $2 million for Fiscal Years 1984-1986. Funding levels for continuing operations of the NDR current system for the same period will be: FY 1983-$1 million, FY 1984-$1.3 million, FY 1985-$ 1.6 million, FY 1986-$1.6 million and FY 1987-$1.6 million.

Senator Andrews: Do you feel you have resolved our earlier concerns about NDR?

Response: Yes. The primary deficiency of the current National Driver Register is its lack of electronic service capability to provide faster responses to State inquiries. Our determination that the deficiency could in fact be remedied within realistic budget levels was the basis for our reversal of the decision simply to abandon the NDR. The same problem has been addressed in the new legislation and is presently being implemented. Ultimately the system will provide responses in a matter of minutes instead of the 10 days to 2 weeks now required.

CRASH TESTS

Senator Andrews: Last year you testified that NHTSA had undertaken auto crash tests, and that General Motors was doing its own testing. What results can you provide the Committee on these crashworthiness tests? What will be done with the results -- inform the public, industry, research community?

Response: The National Highway Traffic Safety Administration (NHTSA) is conducting a Repeatability Program to assess the repeatability and reproducibility of 35 mph frontal crash tests. In addition, at their expense, General Motors is conducting a similar program. Sixteen identical 1982 Chevrolet Citations have been crash tested -- twelve by NHTSA and four by GM. Engineering and statistical analyses are currently being conducted by both NHTSA and GM of their respective data. It is expected that final analysis results will be available on or before April 7, 1983.

Analysis results will be made available to all interested parties. A docket has been established for this program, Docket 83-03, Crash Test Repeatability Program, so that all test results and analyses can be viewed by interested parties. It is expected that the results of this Repeatability Program will aid us in identifying motor vehicle, anthropormorphic dummy, and test procedure parameters which contribute to the variability in crash test results.

Senator Andrews: Are you hopeful that other auto manufacturers (domestic or foreign) will undertake crashworthiness test?

Response: The motor vehicle industry in general conducts extensive crashworthiness testing as part of their development and certification process. This question is assumed to be directed at testing conducted and published to assess crashworthiness itself.

This aspect of crash testing is still not fully proven, i.e., whether valid conclusions as to relative safety among different models can be done from comparison of crash test performance as now measured. NHTSA has been reviewing this issue in connection with an outstanding Crashworthiness Ratings Notice of Proposed Rulemaking and the Repeatability Program is designed to address one aspect of uncertainty: Whether the performance of other identical cars can be published from the crash test results of one specimen. As more on-road crash data experience with belted occupants is acquired, we believe the next generation of questions can be addressed as well: Whether such crash tests are reliabale predictors of performance in protecting human occupants in the wide range of crashes that occur in actual vehicle use. The National Highway Traffic Safety Administration (NHTSA) would encourage other manufacturers to undertake programs similar to NHTSA's repeatability crash testing program. Additionally, NHTSA would be willing to be involved in the planning, conduct, and analyses stages of any such program.

It is important to note that the test results for the Chevrolet Citations tested in NHTSA's current Repeatability Program cannot necessarily be applied to all car lines. Therefore, repeatability crash test results for other vehicles would aid us in determining the applicability of our results.

Senator Andrews: Did General Motors come up with different crashworthiness conclusions than did NHTSA? Did it incorporate any design changes as a result of the crash testing?

Response: Both General Motors (GM) and the National Highway Traffic Safety Administration are currently conducting extensive engineering and statistical analyses of the data from their respective repeatability crash tests. At this time, we have not been advised of any conclusions reached by GM, nor are we aware of any actual or planned design changes that might be considered in the future as a resul of these repeatability crash tests.

SMALL CAR FLEET

Senator Andrews: Are smaller, lighter cars still a growing trend in the overall fleet, or has cheaper gasoline moderated this trend?

Response: The long term trend toward smaller, lighter cars both in the growing market shares for such cars and in the continuing downsizing of cars within size classes continued through 1982. For example, small cars (domestic subcompact, compact, and imported cars) increased from 57% to 63% of the market from 1979 to 1982. At the same time, larger cars went from 43% to 37% of the market.

Today's lower gasoline prices do not appear to have materially affected this trend to date.

ALCOHOL SAFETY INCENTIVE GRANTS

Senator Andrews: The budget estimates that against an authorized level of $25 and $50 million, there will be outlays of only $3 and $16.5 million for FY 1983 and FY 1984. What is your reasoning behind these low spending rates? What specific steps could NHTSA take to expend these funds more promptly?

Response: The budget request reflects our estimate of the funds that will be obligated to the 32 States we anticipate will qualify for incentive grants in FY 1984. The following table provides an analysis of (1) the amounts authorized for FY 1983 and 1984, together with (2) our estimate of the amount of funds to be obligated during those years to cover grants to be awarded to qualifying States, and (3) our estimate of cash disbursements to the States to liquidate obligations incurred (outlays).

(000's)

Contract authority	$25.0	$50.0
Obligations	14.9	37.9
Outlays	3.0	16.5

The estimated obligations are based on a review of current State laws, alcohol program emphasis, legislative processes, and an assessment of the probability of the enactment of new drunk driving legislation--factors considered in eligibility for incentive grants. Based on this review, it is expected that 14 States will qualify for incentive grants in 1983, and that these States' and an additional 18 States will qualify in 1984. Since States must meet criteria established by Congress in P.L. 97-364 (Alcohol Traffic Safety Programs), as specified in our rulemaking, there is little that NHTSA can do to assist the States in qualifying for incentives besides advising them and providing the States technical assistance in determining whether they meet the criteria for eligibility.

With regard to the estimate for outlays, this is based on the expectation that disbursements will follow the same pattern as the Safety Formula Grant (Section 402) program. Our experience with the latter program is that outlays will amount to about 20 percent of obligations in the initial year of obligation, and that the total payments are made over a four year period.

Senator Andrews: What plans does the department have for administering supplemental grants (providing States an additional 20 percent of Section 402 allocation)?

Response: The agency conducted public hearings in December and January on the alcohol incentive grant legislation and a final rule was issued January 31, 1983. States must first qualify for the basic grant before being eligible for a supplemental grant of 20% of the FY 1983 Section 402 apportionment.

The agency's goal in establishing the supplemental grant criteria is to give full support to the Congress's intent that States make substantial progress in improving their alcohol safety programs. At the same time we attempted to allow States maximum flexibility to design programs that will be effective in their jurisdictions.

To qualify for a supplemental grant of 20 percent of its Section 402 FY 1983 apportionment, a State must have in place and implement or adopt and implement a license suspension system in which the average time from date of arrest to suspension of license does not exceed an average of 45 days, and have in place and implement or adopt and implement 8 out of 21 supplemental criteria identified in the final rule. If a State does not implement eight criteria in the first year, it can be eligible for a supplemental grant of 10 percent, by meeting the 45 day average time license suspension and have in place and implement or adopt and implement 4 of the 21 supplemental criteria.

To qualify for a supplemental grant for a second or third year a State must show that it has increased its performance for each of the requirements adopted in the prior year, and adopt two additional criteria for each subsequent year.

Both the basic and supplemental grants will be administered by the Office of Alcohol Countermeasures through the NHTSA Regional Offices and the State agency responsible for administering the Section 402 highway safety funds.

A three step process has been adopted to expedite and reduce paperwork in administering the alcohol incentive grant program. The first step involves submitting an application providing the necessary data, laws, regulations, certification etc. demonstrating that the State qualifies for the basic/supplemental grant. The NHTSA Regional Office and Office of Alcohol Countermeasures will review the State's submission and notify them of their eligibility and the amount of the grant. The second step involves the State submitting an alcohol safety plan for one, two, or three years, as applicable, that describes the programs that the State is and will be implementing in order to be eligible for the grants and describing how the specific supplemental criteria adopted by a State are related to the State's overall alcohol traffic safety program. The third step involves approval of the Plan by the Office of Alcohol Countermeasures and notification of the appropriate Regional Office to execute the Federal-aid agreement.

Senator Andrews: Have you been criticized for being either too lenient or too restrictive in establishing these supplemental grant criteria?

Response: Both written and verbal comments received from the States and private sector since issuance of the final rule indicate strong support for the supplemental grant criteria.

Some States and media commentators have strongly urged a more liberal interpretation to expedite grant issuance. All of such concerns relate to the four basic criteria, which the agency is powerless to change or liberalize beyond the language of the law and NHTSA's implementing regulations.

No comments have been received asserting leniency.

UNIFORM TIRE QUALITY GRADING SYSTEM

Senator Andrews: Last year you indicated that a major reevaluation of the Uniform Tire Quality Grading System would be completed by July 1982. What are the results of your reevaluation? What changes have you made (or will be making)?

Response: (1) On July 8, 1982, NHTSA issued a notice of proposed rulemaking to suspend, on an interim basis, the treadwear grading portion of the Uniform Tire Quality Grading Standard (UTQGS). This action was taken because an agency review indicated the existence of significant variability in the results of the treadwear tests, and accurate grade assessments under the program were seriously in doubt. The agency held a public meeting on August 12, 1982, to hear presentations and arguments in this proceeding. On February 2, 1983, the treadwear portion of the UTQGS was suspended on an interim basis, because available information and analysis indicated that the treadwear grades are apparently not only failing to aid many consumers, but also are affirmatively misleading them in their selection of new tires.

The agency is conducting additional research to determine if the variability can be reduced to acceptable levels. When such research is completed, the agency will determine whether the suspension of treadwear grading should be lifted.

STAFFING

Senator Andrews: Provide for the record revised justification material illustrating funds necessary to support a 640 position level in both FY 1983 and 1984, including the effect on the pay supplemental, and program levels, by activity, each year.

Response: Although there are significant variations by budget activity, the following table indicates that it would require the same amount of funding at the appropriation level, to finance an end-of-year employment of 640 permanent in 1983 as we originally projected in the budget for an end-of-year level of 586 employees.

This seeming anomaly is influenced by a number of factors. Full-time equivalent employment was, in total, projected at 623 staff years under the budget assumption of a year-end level of 586 employees. This assumed that, as we entered 1983 in October 1982 with 618 employees on the rolls, the on-board count would increase slightly in the early months of the year to about 628 since it was necessary to fill certain key vacancies. It was assumed that, thereafter, turnover would gradually reduce employment so that the projected number of 586 would be reached by September 30, 1983.

In developing the revised estimate of requirements for a year-end level of 640 employees, we first considered employment through the first five months of fiscal year 1983 which averaged 614 employees (less than the budget estimate anticipated). We then projected average monthly employee accessions for the balance of the year to reach a level of 640 by September 30. Coincidentally the full-time equivalent requirement in such case also amounts to 623 staff years.

We also found that the total dollar requirements (including severance pay and terminal leave) for a year-end level of 640 employees would be $27.4 million - the same amount we estimated in the budget for a year-end level of 586 employees. As the table indicates, in our estimate of funding requirements for a year end level of 640 employees, we have reduced the original projections for terminal leave and severance pay. This is based on an assessment of actual payments made during the first five months and additional payments expected for the balance of the year. However, these savings are offset by an increase in requirements for permanent position salary and personnel costs, based on current payroll data. The increase is due predominantly to an understatement in the original estimate for the Traffic Safety Programs budget activity.

In 1984, we estimate that it would require $28.3 million to finance a level of 640 employees compared to $25.7 for 586 employees. This is projected on the basis of reaching employment strength of 640 by September 30, 1983, and maintaining that level throughout FY 1984.

Resource Requirements for a 640 Position Level in FY 1983 and 1984

	As Shown in Budget Submission (586 EOY)			Revised Requirements to Fund 640 Positions (EOY)		
	End-of-Year Employment	FTE	Amount	End-of-Year Employment	FTE	Amount
Rulemaking Programs						
FY 1983						
Personnel Compensation:						
Permanent Position	74	86.0	$3,955	89	82.2	$3,751
Terminal Leave	...	...	32	...	...	12
Subtotal	74	86.0	3,987	89	82.2	3,763
Personnel Benefits:	...	...	366	...	...	350
Payments to Former Employees (Severence Pay):	...	...	70	...	...	1
Total	74	86.0	4,423	89	82.2	4,114
FY 1984						
Personnel Compensation:						
Permanent Positions	74	74.0	3,393	89	89.0	4,081
Terminal Leave	...	...	32	...	...	32
Subtotal	74	74.0	3,425	89	89.0	4,113
Personnel Benefits:	...	...	317	...	...	379
Payments to Former Employees (Severence Pay):	...	...	70	...	...	-0-
Total	74	74.0	3,812	89	89.0	4,492
Enforcement Programs						
FY 1983						
Personnel Compensation:						
Permanent Positions	88	88.0	3,533	88	85.4	3,390

	As Shown in Budget Submission (586 EOY)			Revised Requirements to Fund 640 Positions (EOY)		
	End-of-Year Employment	FTE	Amount	End-of-Year Employment	FTE	Amount
Terminal leave	...	...	26	...	...	5
Subtotal	88	88.0	3,559	88	85.4	3,395
Personnel Benefits:	...	...	326	...	...	320
Payments to Former Employees (Severance Pay):	...	...	46	...	...	14
Total	88	88.0	3,931	88	85.4	3,729
FY 1984						
Personnel Compensation:						
Permanent Positions	88	88.0	3,651	88	88.0	3,506
Terminal Leave	...	...	26	...	...	26
Subtotal	88	88.0	3,677	88	88.0	3,532
Personnel benefits:	...	...	342	...	...	331
Payments to Former Employees (Severance Pay)	...	...	46	...	...	-0-
Total	88	88.0	4,065	88	88.0	3,863
Highway Safety Programs						
FY 1983						
Personnel Compensation:						
Permanent Positions	167	171.0	6,637	175	173.8	7,064
Terminal Leave	...	...	58	...	...	26
Subtotal	167	171.0	6,695	175	173.8	7,090
Personnel Benefits	...	...	607	...	...	673
Payment to Former Employees (Severance Pay):	...	...	142	...	...	21
Total	167	171.0	7,444	175	173.8	7,784

	As Shown in Budget Submission (586 EOY)			Revised Requirements to Fund 640 Positions (EOY)		
	Employment	FTE	Amount	Employment	FTE	Amount
FY 1984						
Personnel Compensation:						
Permanent Positions	167	167.0	6,263	175	175.0	7,131
Terminal Leave	...	...	58	...	...	58
Subtotal	167	167.0	6,321	175	175.0	7,189
Personnel benefits:	...	...	578	...	...	680
Payments to Former Employees (Severance Pay):	...	...	142	...	...	-0-
Total	167	167.0	7,041	175	175.0	7,869
Research and Analysis						
FY 1983						
Personnel Compensation:						
Permanent Positions	133	145.0	6,040	148	144.4	5,994
Terminal Leave	...	...	48	...	...	-0-
Subtotal	133	145.0	6,088	148	144.4	5,994
Personnel Benefits:	...	...	557	...	...	557
Payments to Former Employees (Severance Pay):	...	...	82	...	...	14
Total	133	145.0	6,727	148	144.4	6,565
FY 1984						
Personnel Compensation:						
Permanent Positions	133	133.0	5,580	148	148.0	6,137
Terminal Leave	...	...	48	...	...	48
Subtotal	133	133.0	5,628	148	148.0	6,185
Personnel Benefits:	...	...	522	...	...	573
Payments to Former Employees (Severance Pay):	...	...	82	...	...	-0-
Total	133	133.0	6,232	148	148.0	6,758

	As Shown in Budget Submission (586 EOY)			Revised Requirements to Fund 640 Positions (EOY)		
	End-of-Year Employment	FTE	Amount	End-of-Year Employment	FTE	Amount
Office of the Administrator						
FY 1983						
Personnel Compensation:						
Permanent Positions	38	41.0	1,359	45	45.2	1,580
Terminal Leave	...	...	16	...	...	2
Subtotal	38	41.0	1,375	45	45.2	1,582
Personnel Benefits:	...	...	124	...	...	148
Payments to Former Employees (Severance Pay):	...	...	6	...	...	-0-
Total	38	41.0	1,505	45	45.2	1,730
FY 1984						
Personnel Compensation:						
Permanent Positions	38	38.0	1,316	45	45.0	1,579
Terminal Leave	...	...	16	...	...	16
Subtotal	38	38.0	1,332	45	45.0	1,595
Personnel Benefits:	...	...	121	...	...	148
Payment to Former Employees (Severance Pay):	...	...	6	...	...	-0-
Total	38	38.0	1,459	45	45.0	1,743
General Administration						
FY 1983						
Personnel Compensation:						
Permanent Positions	86	92.0	3,003	95	92.5	3,150
Terminal Leave	...	...	20	...	...	14
Subtotal	86	92.0	3,023	95	92.5	3,164
Personnel Benefits	...	...	317	...	...	298
Payments to Former Employees (Severance Pay):	...	...	14	...	...	-0-
Total	86	92.0	3,354	95	92.5	3,462

	As Shown in Budget Submission (586 EOY)			Revised Requirements to Fund 640 Positions (EOY)		
	Employment	FTE	Amount	Employment	FTE	Amount
FY 1984						
Personnel Compensation:						
Permanent Positions	86	86.0	2,798	95	95.0	3,249
Terminal Leave	...	...	20	...	...	20
Subtotal	86	86.0	2,818	95	95.0	3,269
Personnel Benefits:	...	...	300	...	...	343
Payments to Former Employees (Severance Pay)	...	...	14	...	...	-0-
Total	86	86.0	3,132	95	95.0	3,612
SUMMARY TOTAL						
FY 1983						
Personnel Compensation:						
Permanent Positions	586	623.0	$24,527	640	623.5	$24,929
Terminal Leave	...	...	200	...	...	59
Subtotal	586	623.0	24,652	640	623.5	24,988
Personnel Benefits:	...	...	2,297	...	...	2,346
Payments to Former Employees (Severance Pay):	...	...	360	...	...	50
Total	586	623.0	$27,384	640	623.5	$27,384
FY 1984						
Personnel Compensation:						
Permanent Positions	586	586.0	23,001	640	640.0	25,683
Terminal Leavel	...	...	200	...	...	200
Subtotal	586	586.0	23,201	640	640.0	25,883
Personnel Benefits:	...	...	2,180	...	...	2,454
Payments to Former Employees (Severance Pay):	...	...	360	...	...	-0-
Total	586	586.0	$25,741	640	640.0	$28,337

SAFETY BELT CAMPAIGN

Senator Andrews: Your justification for the highway safety program cites accomplishments with regard to child safety seats. What, though, were the specific goals reached last year in the area of increased safety belt usage?

Response: NHTSA measures national belt use through an observations study performed in 19 cities selected to represent the United States. The observed belt use for drivers during 1981 and through the summer of 1982 was 11.5 percent. Observations taken during the end of 1982 and the first part of 1983 indicate that the rate has increased to 13.6 percent. This is a significant increase and suggest very strongly that safety belt use is increasing.

SECTION 402 SAFETY GRANTS

On April 8 last year, you implemented the State and local safety grant funding criteria of:

- Alcohol Countermeasures
- Police Traffic Services
- Emergency Medical Services
- Traffic Records

Senator Andrews: Have the States had to make major changes in their programs to comply with the new criteria?

Response: It does not appear that the States have had to make any such changes or adjustments. Prior to the new criteria, States were directing 402 funding resources to their most critical problems. In FY 1981, States obligated 78 percent of their available 402 funds to the now identified priority programs. In addition, the new 402 criteria provides the States with the flexibility for funding identified problems which are unique to a geographic area, i.e., pedestrian/bicycle safety in metropolitan areas, or motorcycle safety.

Senator Andrews: Do you intend to reassess these criteria? If so, when.

Response: As the Final Rule of April 8, 1982 stated, NHTSA intends to maintain the national priority programs selected for a minimum of 3 years. However, all programs, whether falling within the priority or non-priority areas, will be continually reviewed and evaluated. Should changes be required at some future date, NHTSA will enter into a similar rulemaking action to determine future criteria and priorities.

Senator Andrews: Do you feel confident that the rulemaking establishing these criteria will keep NHTSA from funding ineffective State programs?

Response: Yes, to the maximum degree possible when predictions of future effectiveness are involved. Review of the FY

1983 State Highway Safety Plans indicates that proposed funding for ineffective programs or programs more appropriate for State support, i.e., driver licensing, has been drastically curtailed. However, since program effectiveness was determined primarily from a national viewpoint, it is still the responsibility of each State tc assess its highway safety activities within their own boundaries to assure that ineffective programs are discontinued. In addition, NHTSA regional offices will also selectively monitor the performance of State and locally funded projects to assure that 402 funds are in fact being implemented according to the criteria established in the rulemaking, and as so implemented are in fact effective.

AIR BAG COOPERATIVE AGREEMENT WITH GSA

Senator Andrews: Please provide the background on this project, including copies of interagency agreements, dates for procurement and requirements to bidders.

Response: This project is a joint effort of the General Services Administration and the National Highway Traffic Safety Administration to establish an Air Cushion Restraint Demonstration Program. This program will involve the procurement of driver air cushion restraint-equipped compact size automobiles in the GSA fleet, and the subsequent monitoring of their performance. The incremental costs of the driver air cushion restraints in these automobiles will be borne by the National Highway Traffic Safety Administration. It is currently planned to release formal procurement requests by January 1984 and to take delivery of the vehicles in the late spring of 1985.

The following are copies of the final Interagency Agreement and Vehicle Specification.

Interagency Agreement

Air Cushion Restraint Demonstration Program - GSA Fleet Purchase

Description:

The National Highway Traffic Safety Administration (NHTSA) and the General Services Administration (GSA) are adopting this Interagency Agreement to establish an air cushion restraint demonstration program. This program will involve the procurement of driver air cushion restraint-equipped compact size automobiles in the GSA fleet, and the subsequent monitoring of their performance. The incremental costs of the driver air cushion restraints in these automobiles will be borne by NHTSA.

Purpose of the Demonstration Program:

This program will provide current data to:

a) Document the fatality and injury reducing effectiveness of new generations of air cushion restraints;

b) Provide additional exposure of this technology to the public to encourage significant acceptability of optional air cushion restraints in the marketplace;

c) Demonstrate the operational characteristics (reliability, maintainability) of the systems themselves;

d) Demonstrate that the industry willincorporate air cushion safety devices in vehicles without regulation; and

e) Encourage private fleets to purchase driver air cushion restraint system equipped vehicles.

Demonstration Fleet:

Under this Interagency Agreement, GSA commits to seek the procurement of 5,000 compact sedans with original equipment driver air cushion restraints. The vehicles will be a portion of the vehicles acquired by GSA for its Interagency Motor Pool Fleet. If the total purchase of compact sedans by GSA should be less than 5,000 vehicles, the demonstration fleet will be reduced to the total purchase quantity.

Incremental Cost:

It is anticipated that the initial cost of driver-only air cushion restraints in low volume production will be high compared to the costs that would occur at yearly production levels with reasonable consumer acceptance. Under this Interagency Agreement, NHTSA will fund that incremental purchase cost of the driver-only air cushion restraint systems.

The incremental cost per vehicle of the driver-only air cushion restraint system will be determined by comparing similarly equipped 1984 vehicles with 1985 vehicles plus air cushion restraint system. The difference will be that cost per vehicle borne by NHTSA. That unit cost times the total number of vehicles procured will be NHTSA's total cost.

Procurement:

Specifications for the air cushion restraint installation will be developed by NHTSA in coordination with GSA. The specifications will be coordinated with the vehicle manufacturers by the end of FY 1983. It is planned that the procurement request for a 5,000 vehicle buy be released no later than January 1984. Proposed air cushion restraint systems will be approved by NHTSA prior to being evaluated by GSA.

Liability:

NHTSA accepts the responsibility for representing the Government in any legal action arising from use of the air cushion restraint system.

Performance Monitoring:

GSA shall maintain normal maintenance records for the air cushion restraint-equipped vehicles. Individual reports, on forms provided by NHTSA, shall be made on each accident, including both detailed damage and injury information. In accidents where there is an air cushion restraint deployment, NHTSA shall be notified immediately so that a NHTSA Accident Investigation Team with a GSA representative can be dispatched to analyze the accident. NHTSA shall be responsible for any data analysis of the GSA air cushion restraint demonstration program.

The undersigned approve this agreement:

Raymond A. Peck, Jr.
Administrator, NHTSA

DATE MAR 1[illegible] 1983

Gerald P. Carmen
Administrator, GSA

DATE MAR 10 1983

AIR BAG COOPERATIVE AGREEMENT WITH GSA

Senator Andrews: Who are likely bidders for the Air Bags and installation?

Response: The likely bidders are the domestic automobile manufacturers.

Senator Andrews: How will you monitor the air bag fleet so as to gather meaningful data -- will drivers keep logs, will NHTSA or GSA perform periodic inspections of sensor devices, etc?

Response: The GSA shall maintain normal maintenance records for the air cushion restraint-equipped vehicles. Individual reports, on forms provided by NHTSA, shall be made on each accident including both detailed damage and injury information. In accidents where there is an air cushion restraint deployment, NHTSA shall be notified immediately so that a NHTSA Accident Investigation Team with a GSA representative can be dispatched to analyze the accident. NHTSA shall be responsible for any data analysis of the GSA Air Cushion Restraint Demonstration Program.

NATIONAL MAXIMUM SPEED LIMIT (55 MPH)

Senator Andrews: The law requires that the Governor of each State certify to the Secretary of Transportation before January 1 of each year that the State has established and enforced a maximum speed limit of 55 mph on the public highways within its jurisdiction. Were any States penalized by the Department of Transportation's reducing their apportionments of Federal-aid highway funds for Fiscal Year 1983? What were these States and how much were the penalized?

Response: To date, no State has been penalized by the Department of Transportation. However, for FY 1982, the latest full reporting year, the certifications submitted by the States of Nevada and Massachusetts do not appear to conform with the certification requirements established by law and DOT regulations.

Accordingly, in joint letters (Dated March 7, 1983) copies of which are attached, NHTSA and FHWA Administrators notified the governors of Nevada and Massachusetts of a proposed determination of non-conformity and the proposed reduction in certain Federal-aid highway funds. To date, only Nevada has requested the informal meeting afforded non-conforming States by DOT regulations.

If non-conformance is confirmed, and the full 5 percent penalty were to be applied, the estimated Federal-aid highway funds to be withheld would be $3,550,000 for Massachusetts and $1,511,000 for Nevada.

Senator Andrews: Please provide a summary of the latest information with respect to the various States' compliance with the 55 mph speed limit?

Response: The latest available information regarding State compliance with the 55 mph speed limit is the data submitted by each State with their FY 1982 certifications. As indicated in the attached listing, all States except Nevada and Massachusetts satisfy the mandatory 50% compliance criteria established by law.

LETTERS FROM RAYMOND A. PECK, JR. AND R. A. BARNHART

The Honorable Richard H. Bryan
Governor of Nevada
State Capitol
Carson City, Nevada 89701

MAR 7 1983

Dear Governor Bryan:

The Federal Highway Administration (FHWA) and the National Highway Traffic Safety Administration (NHTSA) have concluded our initial review of the 1982 Nevada Certification of Enforcement for the 55 MPH speed limit. As our past correspondence and discussions indicate, section 154 of title 23 U.S.C. provides that monitored speeds will constitute a primary indicator of the success of each State's implementation of Congressional requirements. Thus, it is important that compliance with the speed limit in Nevada be accurately reflected.

Section 1108 of the Omnibus Budget Reconciliation Act of 1981, Pub. L. 97-35, August 13, 1981, amended section 23 U.S.C. 154(f), which establishes standards for measuring each State's compliance with the 55 MPH national maximum speed limit. The graduated system of standards to measure the effectiveness of State speed limit programs based on the percentage of motor vehicles exceeding 55 MPH was amended to require that no more than 50 percent of the monitored motorists could exceed 55 MPH before a penalty would be imposed. The percentage of vehicles exceeding 55 MPH as reported in the Nevada certification, 51.2, appears to place the State in violation of this requirement.

In addition, title 23 U.S.C. 141 requires that the certification also support the statement that the State is enforcing the 55 MPH speed limit. The incidence of noncompliance as reflected in the monitored speeds calls into question the extent and effectiveness of State enforcement efforts.

The penalties for noncompliance with these sections of the law are severe. If it is determined that more than 50 percent of the vehicles monitored in Nevada have exceeded the 55 MPH speed limit, the Secretary of Transportation is required to reduce the State's apportionment of Federal-aid highway funds under sections 104(b)(1), 104(b)(2), and 104(b)(6) of title 23 U.S.C., in an aggregate amount of up to 5 percent of the amount to be apportioned for the fiscal year ending September 30, 1984. Further, if it is determined that Nevada is not adequately enforcing the 55 MPH speed limit, the Secretary is required to deny approval for any project under section 106 of title 23 U.S.C.

The implementing regulation, found in 23 CFR 659, provides a procedure for determining the reduction of funds in the event a State fails to meet the specified compliance standards or is not adequately enforcing the 55 MPH speed limit. This letter constitutes notice to you that we propose to find your State in violation of 23 U.S.C. 154 because of the failure to comply with the required level of monitored vehicles not in excess of 55 MPH. At the same time, you should be aware of our concern over the effectiveness of enforcement in your State, which we feel is directly reflected by the monitored speeds.

The regulations provide that you can request an informal resolution of this matter, which would involve a meeting between our designated officials and those of the State. Should you request such a meeting, you may offer any information which you consider helpful to a resolution of this matter. The scope of the conference will include, but not be limited to, legislative actions, including those proposed to remedy deficiencies, budgetary considerations, judicial activities, and proposals which will be implemented to bring the State into compliance.

Please find enclosed a copy of the regulations for your guidance. You should contact Mr. David C. Oliver of the FHWA Office of the Chief Counsel to establish a date and place for the meeting or to resolve any questions as to the nature and substance of the proceedings. Mr. Oliver can be reached on (202)426-0825.

Sincerely yours,

Raymond A. Peck
Administrator, National Highway
Traffic Safety Administration

Ray Barnhart
R. A. Barnhart
Administrator, Federal
Highway Administration

Enclosure

The Honorable Michael S. Dukakis
Governor of Massachusetts
State House
Boston, Massachusetts 02133

MAR 7 1983

Dear Governor Dukakis:

The Federal Highway Administration (FHWA) and the National Highway Traffic Safety Administration (NHTSA) have concluded our initial review of the 1982 Massachusetts Certification of Enforcement for the 55 MPH speed limit. As our past correspondence and discussions indicate, section 154 of title 23 U.S.C. provides that monitored speeds will constitute a primary indicator of the success of each State's implementation of Congressional requirements. Thus, it is important that compliance with the speed limit in Massachusetts be accurately reflected.

Section 1108 of the Omnibus Budget Reconciliation Act of 1981, Pub. L. 97-35, August 13, 1981, amended section 23 U.S.C. 154(f), which establishes standards for measuring each State's compliance with the 55 MPH national maximum speed limit. The graduated system of standards to measure the effectiveness of State speed limit programs based on the percentage of motor vehicles exceeding 55 MPH was amended to require that no more than 50 percent of the monitored motorists could exceed 55 MPH before a penalty would be imposed. Although the percentage of vehicles exceeding 55 MPH as reported in the Massachusetts certification (47.1) would place the State below the noncompliance threshold, the manner in which the value was derived is of concern to us. Our review of the data supplied by the State finds that the percentage of vehicles exceeding 55 MPH may be as high as 56.3, which would place the State in violation of 23 U.S.C. 154(f).

In addition, title 23 U.S.C. 141 requires that the certification also support the statement that the State is enforcing the 55 MPH speed limit. The incidence of noncompliance as reflected in the monitored speeds calls into question the extent and effectiveness of State enforcement efforts.

The penalties for noncompliance with these sections of the law are severe. If it is determined that more than 50 percent of the vehicles monitored in Massachusetts have exceeded the 55 MPH speed limit, the Secretary of Transportation is required to reduce the State's apportionment of Federal-aid highway funds under sections 104(b)(1), 104(b)(2), and 104(b)(6) of title 23 U.S.C., in an aggregate amount of up to 5 percent of the amount to be apportioned for the fiscal year ending September 30, 1984. Further, if it is determined that Massachusetts is not adequately enforcing the 55 MPH speed limit, the Secretary is required to deny approval for any project under section 106 of title 23 U.S.C.

The implementing regulation, found in 23 CFR 659, provides a procedure for determining the reduction of funds in the event a State fails to meet the specified compliance standards or is not adequately enforcing the 55 MPH speed limit. This letter constitutes notice to you that we propose to find your State in violation of 23 U.S.C. 154 because of the failure to comply with the required level of monitored vehicles not in excess of 55 MPH. At the same time, you should be aware of our concern over the effectiveness of enforcement in your State, which we feel is directly reflected by the monitored speeds.

The regulations provide that you can request an informal resolution of this matter, which would involve a meeting between our designated officials and those of the State. Should you request such a meeting, you may offer any information which you consider helpful to a resolution of this matter. The scope of the conference will include, but not be limited to, legislative actions, including those proposed to remedy deficiencies, budgetary considerations, judicial activities, and proposals which will be implemented to bring the State into compliance.

Please find enclosed a copy of the regulations for your guidance. You should contact Mr. David C. Oliver of the FHWA Office of the Chief Counsel to establish a date and place for the meeting or to resolve any questions as to the nature and substance of the proceedings. Mr. Oliver can be reached on (202)426-0825.

Sincerely yours,

Ray Barnhart

Raymond A. Peck
Administrator, National Highway
Traffic Safety Administration

R. A. Barnhart
Administrator, Federal
Highway Administration

Enclosure

STATE	FY82 SPEED LIMIT ENFORCEMENT CERTIFICATION DATA		
	PERCENT EXCEEDING 55 MPH*	55 MPH MILEAGE SUBJECT TO SPEED MONITORING	CITATIONS ISSUED FOR 55MPH VIOLATIONS
ALABAMA	39.2	16153.9	127,450
ALASKA	17.0	1762.1	9,565
ARIZONA	49.6	5824.0	240,953
ARKANSAS	30.0	14,438.9	75,943
CALIFORNIA	45.0	25,376.0	1,013,771
COLORADO	42.7	6315.0	118,371
CONNECTICUT	44.3	472.7	62,850
DELAWARE	48.9 (32.2**)	183.1	27,270
DIST. OF COL.			
FLORIDA	45.7	12071.0	354,588
GEORGIA	30.2	27,549.6	195,019
HAWAII	43.1 (30.8**)	278.6	4,697
IDAHO	33.8	4246.0	32,298
ILLINOIS	34.5	14,310.0	267,306
INDIANA	44.2	11,220.0	97,504
IOWA	41.4	22,295.0	127,930
KANSAS	44.3	18,887.4	197,094
KENTUCKY	36.8 (27.2**)	12482.0	86,071
LOUISIANA	43.6	9929.0	172,942
MAINE	41.6	1162.7	19,322
MARYLAND	44.4	900.8	111,025
MASSACHUSETTS	56.3**	921.2	186,221
MICHIGAN	48.8	20,807.0	184,897
MINNESOTA	38.6	24,452.0	104,637
MISSISSIPPI	38.0	16976.0	195,682
MISSOURI	47.1	24927.6	185,446
MONTANA	42.7	9315.0	97,902
NEBRASKA	39.1	11,962.0	84,991
NEVADA	51.2	4360.9	48,765
NEW HAMPSHIRE	39.8 (27.0**)	679.0	32,444
NEW JERSEY	49.5	941.0	155,544
NEW MEXICO	41.2	7010.0	159,772
NEW YORK	48.3 (36.6**)	15,300.0	221,751
NORTH CAROLINA	32.7	14,790.0	269,003
NORTH DAKOTA	47.2	10,028.0	49,566
OHIO	45.6	18,346.2	388,034
OKLAHOMA	50.0	12,197.0	123,877
OREGON	35.1	13,715.0	96,744
PENNSYLVANIA	36.4 (25.8**)	14,313.0	206,669
RHODE ISLAND	46.3	81.2	27,179
SOUTH CAROLINA	28.4	12,239.0	195,453
SOUTH DAKOTA	37.8	13,258.0	29,901
TENNESSEE	36.7	14,264.0	156,446
TEXAS	34.7	56969.0	843,987
UTAH	47.5	3776.0	96,844
VERMONT	50.0	330.2	25,964
VIRGINIA	48.9 (31.7**)	14732.0	202,658
WASHINGTON	33.1	4840.0	135,625
WEST VIRGINIA	18.1	7918.7	48,663
WISCONSIN	33.5	19185.0	108,722
WYOMING	48.8	5612.5	59,636
AMERICAN SAMOA			
GUAM			
PUERTO RICO	34.4 (25.8**)	143.9	49114
VIRGIN ISLANDS			
GRAND TOTAL		580,258.2	8,114,106

FOOTNOTES

*AS REPORTED IN THE CERTIFICATION INCLUDING ALL ADJUSTMENTS.

**AN "ADJUSTED" FIGURE CALCULATED BY FHWA FOR COMPARATIVE PURPOSES ONLY USING THE SIMPLIFIED ADJUSTMENT FORMULA: ADJ. P55 = (UNADJ. P55 + P60)÷2.
THE STATE CHOOSE NOT TO SUBMIT AN ADJUSTED FIGURE.

DATE	COMPILED BY	CHECKED BY
MARCH 1983	TEKLIMEK HTO-33	

Senator Andrews: What consideration is being given by the Federal Highway Administration to granting States exemptions to the requirements that a certain percentage of their motorists comply with the 55 mph speed limit?

Response: None. The applicable 55 mph statutes (Surface Transportation Assistance Act of 1978 and the Omnibus Budget Reconciliation Act of 1981) do not permit the Federal Highway Administration to grant States exemption from the requirement that at least 50 percent of monitored motor vehicles must comply with the 55 mph speed limit. The only discretion permitted under the law is the precise amount of the penalty which must be assessed by the Secretary of Transportation for failure to meet the 50 percent criteria (i.e., the withholding of up to five percent of certain Federal-aid highway funds for FY 1983, and up to 10% for FY 1984 and beyond).

NEW CAR ASSESSMENT PROGRAM

Senator Andrews: In 1979, NHTSA initiated its New Car Assessment Program. This program is authorized under Title II of the Motor Vehicle Information and Cost Saving Act. The act requires NHTSA to develop and publish comparative ratings for cars by make and model in three categories, namely, crashworthiness, damageability, and ease of diagnosis and repair. In addition, the act mandated a bumper standard to minimize the costs of low speed collisions. What is the status of the Crashworthiness Program?

Response: The testing of 24 vehicles for the 1982 New Car Assessment Program (NCAP) has been completed and all test results have been released. The 1983 program test plan, which includes 30 vehicles, has been finalized, and two tests have already been conducted. Press releases on the 1983 results will be prepared as vehicle tests have been completed, and all 1983 test results are scheduled for release by summer 1983. Attached is a list of the 1982 test results and a list of the 1983 vehicles to be tested is attached.

1982 NCAP Crash Test Results

Vehicle	Test Speed(mph)/Weight(lbs)	HIC D/P	Chest Resultant(g's) D/P	Femur Loads (lbs) Driver L/R	Femur Loads (lbs) Pass L/R	Meets FMVSS Criteria at 35 mph 212	219	301
VW Scirocco -- 2-Dr.	35.1/2680	1482/683	54/37	330/275	200/175	yes	yes	yes
Dodge Omni -- 4-Dr.	35.2/2670	639/1703	58/43	460/825	600/1450	yes	yes	yes
SAAB 900 -- 4-Dr.	35.3/3220	734/1166	39/35	990/725	800/1275	yes	yes	yes
Volvo DL -- 2Dr.	34.9/3354	550/381	45/35	146/1123	877/201	N/A	N/A	N/A
Nissan Stanza--4-Dr. HB	34.6/2686	974/879	55/39	377/449	704/1289	yes	yes	yes
Dodge 400 -- 2-Dr.	35.0/3044	520/756	44/41	1080/880	1011/914	yes	yes	yes
Toyota Celica -- 2-Dr.	34.7/3060	702/530	36/45	456/448	360/359	yes	yes	yes
Chevrolet Camaro 2-Dr.	35.4/3428	563/577	39/32	901/1004	258/358	yes	yes	yes
Ford Escort -- 4-Dr. HB	34.5/2584	950/1070	47/39	1150/1050	1518/1530	yes	yes	yes
Honda Accord -- 4-Dr.	34.8/2635	500/403	43/29	1078/1308	1145/754	yes	no	yes
Chevrolet Celebrity -- 4-Dr.	35.0/3273	478/395	33/21	774/1052	918/595	yes	yes	yes
Nissan Sentra -- 4-Dr.	35.3/2455	549/865	43/46	499/103	1111/251	no	yes	no
Mazda 626 -- 4-Dr.	35.3/2900	969/1693	47/50	575/1215	550/250	yes	yes	yes

1982 NCAP Crash Test Results

Vehicle/	Test Speed (mph)/Weight (lbs)	HIC D/P	Chest Resultant(g's) D/P	Femur Loads (lbs) Driver L/R	Femur Loads (lbs) Pass L/R	Meets FMVSS Criteria at 35 mph 212	219	301
Ford LTD -- 4-Dr.	35.5/4130	960/808	50/43	360/640	350/180	yes	yes	yes
Ford Granada L -- 4Dr.	34.6/3430	860/1050	Lost/52	980/800	460/340	yes	yes	yes
Volkswagen Quantum 4-Dr.	34.6/2954	1353/1194	53/41	180/436	561/413	yes	yes	yes
Chevrolet Cavalier 2-DR	35.0/2830	708/821	42/37	1834/1654	1523/1673	yes	yes	yes
Toyota Corona 4-DR	34.9/3040	842/828	59/40	1400/1178	888/507	yes	yes	yes
Chevrolet Impala 4-DR	35.2/4110	1170/2/	40/41	940/2/	575/375	yes	yes	yes
Renault Fuego 2-DR	35.0/2902	3768/2484	50/35	493/684	396/1136	no1/	yes	yes

1/ Retest at 30 mph - passed
2/ Instrumentation problem/ data no available

1982 NCAP Crash Test Results

Vehicle	Test Speed (mph)/Weight (lbs)	HIC D/P	Chest Resultant(g's) D/P	Femur Loads (lbs) Driver L/R	Femur Loads (lbs) Pass L/R	Meets FMVSS Criteria at 35 mph 212	219	301
Lincoln Continental 4-DR	34.7/4158	757/728	46/37	723/1136	1393/612	yes	yes	yes
Chevrolet Chevette 4-DR HB	34.8/2827	1020/715	48/40	1007/1653	449/346	yes	yes	yes
Dodge Colt 4-DR HB	34.9/2488	932/1730	72/44	517/782	506/276	yes	yes	yes

DOORS: HB = Hatchback, Liftback, or Fastback.

TEST MODE: F = Frontal. Cars were crashed head-on into a fixed barrier at 35 mph.
O = Oblique. This is a modified frontal test. The cars were crashed into the barrier at a 30 degree angle at 35 mph.
R = Rear. Cars were rear-impacted into the fixed barrier at 35 mph to check for fuel leakage.

HIC: Head Injury Criteria The head injury limit is 1,000.
Chest Resultant Acceleration: The limit for chest acceleration is 60 g's.
Femur Loads: The femur load limit is 2,250 pounds.
[HIC, Chest Resultant Acceleration, and Femur Loads are injury criteria of Federal Motor Vehicle Safety Standard (FMVSS) 208, Occupant Protection.]

MEETS CRITERIA OF THE STANDARDS AT 35 MPH:

212 = FMVSS 212, which requires that a specific percentage of the windshield mounting remain attached.
219 = FMVSS 219, which requires that no vehicle parts from outside the occupant compartment may intrude into a defined zone in front of the windshield.
301 = FMVSS 301, which limits the amount of fuel leakage from any part of the fuel system during the crash test, and following the test when a vehicle is slowly rotated through 360 degrees.

NEW CAR ASSESSMENT PROGRAM

1983 TEST VEHICLES

1. Chevrolet Caprice - 4 dr.
2. Chevrolet Cavalier - Convertible
3. Pontiac Firebird - 2 dr.
4. Chevrolet Corvette - 2 dr.
5. Ford EXP - 2 dr.
6. Ford Mustang - Convertible
7. Ford Thunderbird - 2 dr.
8. Ford Tempo - 4 dr.
9. Dodge 600 - 4 dr.
10. Plymouth Reliant - Station Wagon
11. Renault Alliance - 4 dr.
12. Honda Prelude - 2 dr.
13. Isuzu Impulse - 2 dr.
14. Mazda 626 - 4 dr.
15. Mitsubishi Tredia - 4 dr.
16. Nissan Pulsar - 4 dr.
17. Toyota Camry - 4 dr.
18. Toyota Corolla - Station Wagon
19. Toyota Tercel - 4 dr.
20. Volvo 760 GLE - 4 dr.
21. Buick Century - 4 dr.
22. Ford LTD - 4 dr.
23. Mercury Capri - 2 dr.
24. Mitsubishi Cordia - 2 dr.
25. Peugeot 505S - 4 dr.
26. Chevrolet S-10 Blazer
27. Ford Bronco II
28. Mitsubishi Pickup
29. Mitsubishi Montero 4x4
30. Toyota Tercel 4x4 Station Wagon

NEW CAR ASSESSMENT PROGRAM

Senator Andrews: Describe in detail what tests have been completed and when information on such tests was made available to consumers.

Response: Listed at the end of this response is detailed information on all of the New Car Assessment Program tests that have been conducted since 1979.

This information has been made available to the public by release to the news media, placement into the agency's docket section, publication of the results in a booklet format and distribution of results in response to requests to the agency's telephone Hotline and to written requests.

Press releases were made on the following dates:

October 1979
February 1980
August 1980
December 1980
September 1981
February 1982
November 1982
January 1983
March 1983

Actual releases of test data to the media and interested parties were made as test results were received. In several cases under the Freedom of Information Act results were released even before agency review and validation had taken place. In February 1982 the agency expanded the capability of the telephone Hotline to include the distribution of crashworthiness information as well as safety related defects and recalls. The agency believes this is a superior approach in providing safety information to the public.

The agency maintains a public docket for all New Car Assessment Program test reports and films. Individuals can purchase any final report or crash test film by contacting the public docket and requesting a copy.

NEW CAR ASSESSMENT PROGRAM RESULTS AS OF MARCH 31, 1983

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R		Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	Rear
									Driver L/R	Passenger L/R	212	219	301 Frontal	Rear
AMERICAN MOTORS	CONCORD	2	1979	F	34.7	3681	1078/1457	61/69	1300/910	375/337	Y	Y	Y	-
AMERICAN MOTORS	CONCORD	2	1980	R	35.0	3720								Y
AMERICAN MOTORS	SPIRIT	2 HB	1981	F	35.0	3190	702/652	43/33	NA/1300	280/560	Y	Y	Y	-
AMERICAN MOTORS	SPIRIT	2 HB	1981	R	35.4	3213								N
AUDI	4000	4	1980	F	35.3	2836	1322/1428	70/45	408/353	1030/527	Y	Y	Y	NT
AUDI	5000	4	1981	F	34.7	3361	Invalid	43/52	480/712	628/394	Y	Y	Y	NT
BUICK	CENTURY	4	1980	F	(See Olds Cutlass)									
BUICK	CENTURY	4	1980	R	(See Olds Cutlass)									
BUICK	CENTURY	4	1982	F	(See Chevy Celebrity)									
BUICK	ELECTRA	4	1979	F	(See Olds 98)									
BUICK	ELECTRA	4	1979	R	35.3	4617								N
BUICK	LE SABRE	4	1979	F	(See Chevy Impala)									
BUICK	LE SABRE	4	1979	R	(See Pontiac Catalina)									
BUICK	REGAL	2	1979	F	(See Cutlass Supreme))									
BUICK	REGAL	2	1979	R	(See Pontiac Grand Prix)									
BUICK	RIVIERA	2	1979	F	35.3	4440	541/782	42/39	943/892	1371/1272	Y	Y	N	-
BUICK	RIVIERA	2	1979	R	34.8	4413								N
BUICK	SKYLARK	4 HB	1980	F	(See Chevy Citation)									
BUICK	SKYLARK	4 HB	1980	R	(See Chevy Citation)									
CADILLAC	DE VILLE	4	1979	F	(See Olds 98)									

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Critiera of the Standards at 35 mph 212	219	301 Frontal	301 Rear
CADILLAC	ELDORADO	4	1979	F	(See Buick Riviera)									
CADILLAC	ELDORADO	4	1979	R	(See Buick Riviera)									
CADILLAC	SEVILLE	4	1980	F	34.7	4615	623/523	43/35	1057/681	791/608	Y	Y	Y	NT
CHEVROLET	CAMARO	2	1979	F	(See Pontiac Firebird)									
CHEVROLET	CAMARO	2	1979	R	35.0	3980								N
CHEVROLET	CAMARO	2	1982	F	35.4	3428	563/577	39/32	901/1004	258/358	Y	Y	Y	
CHEVROLET	CAPRICE	4	1979	F	(See Chevy Impala)									
CHEVROLET	CAPRICE	4	1979	R	(See Pontiac Catalina)									
CHEVROLET	CAVALIER	2 HB	1982	F	35.0	2330	708/821	42/37	1834/1654	1523/1673	Y	Y	Y	-
CHEVROLET	CAVALIER	2	1982	R	35.4	2865								N
CHEVROLET	CELEBRITY	4	1982	F	[illegible]	3273	478/395	33/21	774/1052	918/595	Y	Y	Y	
CHEVROLET	CHEVETTE	4 HB	1979	F	34.8	2720	871/859	47/45	1280/1600	990/1400	N	Y	Y	-
CHEVROLET	CHEVETTE	2 HB	1979	R	34.9	2666								Y
CHEVROLET	CHEVETTE	2 HB	1980	F	35.2	2641	668/699	45/40	1649/1777	766/802	N	Y	Y	NT
CHEVROLET	CHEVETTE	4 HB	1982	F	34.8	2827	1020/715	48/40	1007/1653	449/346	Y	Y	Y	-
CHEVROLET	CITATION	4 HB	1980	F	35.0	3260	845/623	48/35	560/760	1040/350	Y	Y	Y	-
CHEVROLET	CITATION	4 HB	1980	R	35.1	3220								Y
CHEVROLET	IMPALA	4	1979	F	35.2	4179	1277/1254	62/51	368/808	NA/391	Y	Y	Y	-
CHEVROLET	IMPALA	4	1979	R	(See Pontiac Catalina)									
CHEVROLET	IMPALA	4	1982	F	35.2	4110	1170/NA	40/41	940/NA	575/375	Y	Y	Y	-
CHEVROLET	MALIBU	2	1979	O	35.4	3740	1032/722	48/37	220/330	420/380	NA	NA	Y	NT
CHEVROLET	MALIBU	4	1980	F	(See Olds Cutlass)									
CHEVROLET	MALIBU	4	1980	R	(See Olds Cutlass)									

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds Driver L/R	Femur Loads (Pounds Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
CHEVROLET	MUNZA	2	1979	F	35.1	3240	1108/1033	42/41	580/400	600/325	Y	Y	Y	-
CHEVROLET	MUNZA	2	1979	R	(See Pontiac Sunbird)									
CHEVROLET	MONTE CARLO	2	1979	F	(See Cutlass Supreme)									
CHEVROLET	MONTE CARLO	2	1979	R	(See Cutlass Supreme)									
CHRYSLER	CORDOBA	2	1980	F	(See Dodge Mirada)									
CHRYSLER	CORDOBA	2	1980	R	(See Dodge Mirada)									
CHRYSLER	IMPERIAL	2	1981	F	35.3	4562	976/590	47/32	742/371	750/564	Y	Y	Y	-
CHRYSLER	IMPERIAL	2	1981	R	35.1	4567								Y
CHRYSLER	LE BARON	2	1979	F	35.0	4160	2402/1071	45/39	740/300	420/440	Y	Y	Y	NT
CHRYSLER	LE BARON	2	1980	F	35.1	3880	1742/1252	54/45	913/860	678/688	Y	Y	Y	NT
CHRYSLER	LE BARON	2	1982	F	(See Dodge 400)									
CHRYSLER	NEWPORT	4	1979	F	(See Dodge St. Regis)									
CHRYSLER	NEWPORT	4	1979	R	35.4	4330								Y
DATSUN	SENTRA	4	1982	F	35.2	2455	549/865	43/46	499/103	1111/251	N	Y	N	-
DATSUN	STANZA	4 HB	1982	F	34.6	2686	974/879	55/39	377/449	704/1289	Y	Y	Y	
DATSUN	200 SX	2 HB	1980	F	34.1	3038	1091/1032	62/44	1150/893	663/242	Y	Y	Y	-
DATSUN	200 SX	2 HB	1980	R	35.1	2952								Y
DATSUN	210	2	1979	F	35.2	2425	1358/1745	69/59	NA/536	781/218	Y	Y	Y	-
DATSUN	210	2	1979	R	35.0	2392								Y
DATSUN	310 GX	2 HB	1980	F	34.7	2404	1059/2019	68/108	1218/1090	1369/1190	Y	Y	Y	-
DATSUN	310 GX	2 HB	1980	R	35.2	2389								Y
DATSUN	810	4	1981	R	34.9	3420								N
DODGE	ARIES	4	1981	F	(See Plymouth Reliant)									

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
DODGE	ARIES	2	1981	R	35.2	2800								Y
DODGE	ASPEN	2	1979	F	(See Chrysler Le Baron)									
DODGE	COLT	2	1979	F	(See Plymouth Champ)									
DODGE	COLT	2	1979	R	35.3	2302								Y
DODGE	COLT	4 HB	1982	F	34.9	2488	932/1730	72/44	517/782	506/276	Y	Y	Y	-
DODGE	DIPLOMAT	4	1979	R	35.1	4192								N
DODGE	MAGNUM	2	1979	F	35.3	4440	646/731	39/44	250/725	360/170	Y	Y	Y	-
DODGE	MIRADA	2	1980	F	35.5	4136	948/959	43/37	784/950	1032/431	Y	Y	Y	-
DODGE	MIRADA	2	1980	R	35.2	3922								Y
DODGE	OMNI	2 HB	1979	F	(See Plymouth Horizon)									
DODGE	OMNI	2 HB	1979	R	(See Plymouth Horizon)									
DODGE	OMNI	4 HB	1982	F	35.2	2670	639/1703	58/43	460/825	600/1450	Y	Y	Y	-
DODGE	ST. REGIS	4	1979	F	34.3	4457	1909/NA	67/50	832/531	647/589	Y	Y	Y	-
DODGE	ST. REGIS	4	1979	R	(See Chrysler Newport)									
DODGE	400	2	1982	F	35.0	3044	520/756	44/41	1080/880	1011/914	Y	Y	Y	
FIAT	STRADA	4 HB	1980	F	34.8	2707	790/962	41/43	1159/2143	1101/464	Y	Y	N	-
FIAT	STRADA	4 HB	1980	R	35.5	2583								N
FORD	ESCORT	2 HB	1981	F	35.2	2590	618/1011	50/40	640/740	480/280	Y	Y	Y	-
FORD	ESCORT	2 HB	1981	R	(See Mercury Lynx)									
FORD	ESCORT	2 HB	1981	O	35.2	2368	243/603	32/38	672/934	469/763	NA	NA	Y	-
FORD	ESCORT	4 HB	1982	F	34.5	2584	950/1070	47/39	1150/1050	1518/1530	Y	Y	Y	
FORD	EXP	2 HB	1981	F	35.0	2542	745/NA	49/53	857/19	320/189	Y	Y	Y	NT
FORD	FAIRMONT	4	1979	F	35.4	3296	939/1583	54/85	825/1155	1245/600	Y	Y	Y	-
FORD	FAIRMONT	4	1979	R	(See Mercury Zephyr)									

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
FORD	FIESTA	2	1979	F	35.0	2185	1656/1932	70/48	340/1050	NA/240	Y	Y	Y	-
FORD	FIESTA	2 HB	1979	R	35.1	2228								Y
FORD	GRANADA	4	1979	F	34.6	3950	1442/1279	61/56	1750/350	390/570	Y	Y	Y	-
FORD	GRANADA	4	1979	R	(See Mercury Monarch)									
FORD	GRANADA	4	1982	F	34.6	3430	860/1050	NA/52	980/800	460/340	Y	Y	Y	-
FORD	LTD	2	1979	F	35.4	4366	1452/616	38/34	750/180	510/360	Y	Y	Y	NT
FORD	LTD	4	1982	F	35.5	4130	960/808	50/43	360/640	350/180	Y	Y	Y	-
FORD	LTD II	2	1979	F	34.9	4815	1088/781	61/40	1063/2775	584/429	Y	Y	Y	-
FORD	LTD II	2	1980	R	(See Ford T-Bird)									
FORD	MUSTANG	2	1979	F	34.7	2951	819/567	41/33	221/946	781/376	Y	Y	Y	-
FORD	MUSTANG	2	1979	R	35.3	3183								Y
FORD	PINTO	2 HB	1979	F	(See Mercury Bobcat)									
FORD	PINTO	2 HB	1979	R	35.2	2950								Y
FORD	T-BIRD II	2	1980	F	35.3	3783	988/994	50/52	1720/2203	1733/784	Y	Y	Y	-
FORD	T-BIRD II	2	1980	R	32.5	4854								Y
HONDA	ACCORD	4	1982	F	34.8	2635	500/403	43/29	1078/1308	1145/754	Y	N	Y	
HONDA	CIVIC	2	1979	F	34.8	2166	2030/2093	93/46	1080/838	1520/1460	Y	N	Y	-
HONDA	CIVIC	2	1979	R	35.0	2093								Y
HONDA	CIVIC	2 HB	1980	F	34.7	2298	2626/1506	54/47	1006/3118	418/218	Y	Y	Y	-
HONDA	CIVIC	2 HB	1980	R	34.5	2234								Y
HONDA	CIVIC	2 HB	1981	F	35.1	2160	607/492	41/35	200/500	1100/540	N	Y	Y	NT
HONDA	CIVIC	4 HB	1981	F	35.0	2456	985/1391	53/43	462/1386	1194/797	Y	Y	Y	-
HONDA	CIVIC	4	1981	R	35.0	2386								Y

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds Driver L/R	Femur Loads (Pounds Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
HONDA	PRELUDE	2 HB	1980	F	34.9	2545	2904/1759	52/45	445/1057	465/277	Y	Y	Y	-
HONDA	PRELUDE	2	1980	R	35.0	2651								Y
ISUZU	I-MARK DELUXE	2	1981	R	35.5	2626								N
LINCOLN	CONTINENTAL	4	1979	F	35.1	5362	521/919	45/53	395/393	577/986	Y	N	Y	NT
LINCOLN	CONTINENTAL	4	1982	F	34.7	4158	757/728	46/37	723/1136	1393/612	Y	Y	Y	-
MAZDA	626	2	1980	F	35.2	3066	1435/2206	101/54	923/939	380/209	Y	Y	Y	-
MAZDA	626	4	1980	R	35.1	2911								Y
MAZDA	626	4	1982	F	35.3	2900	969/1693	47/50	575/1215	550/250	Y	Y	Y	-
MAZDA	GLC	4 HB	1981	O	35.3	2427	555/516	48/35	313/507	284/146	NA	NA	Y	-
MAZDA	GLC	4 HB	1981	R	35.2	2412								Y
MERCEDES-BENZ	240D	4	1980	F	35.0	3714	1262/1369	54/44	674/1687	666/1449	Y	Y	N	NT
MERCURY	BOBCAT	2 HB	1979	F	35.1	2998	723/1878	64/51	463/1343	741/571	Y	Y	Y	-
MERCURY	BOBCAT	2 HB	1979	R	(See Ford Pinto)									
MERCURY	CAPRI	2 HB	1979	F	35.0	3067	NA/770	NA/44	1322/NA	676/397	Y	Y	Y	-
MERCURY	CAPRI	2 HB	1979	R	(See Ford Mustang)									
MERCURY	LYNX	2 HB	1981	F	(See Ford Escort)									
MERCURY	LYNX	2 HB	1981	R	34.7	2450								
MERCURY	LYNX	4 HB	1982	F	(See Ford Escort)									Y
MERCURY	MONARCH	4	1979	F	(See Ford Granada)									
MERCURY	MONARCH	4	1979	R	35.1	3750								Y
MERCURY	MARQUIS	2	1979	F	35.4	4224	1204/868	61/42	580/804	378/NA	Y	Y	Y	-
MERCURY	XR7	2	1980	F	(See Ford T-Bird)									
MERCURY	XR7	2	1980	R	(See Ford T-Bird)									

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
MERCURY	ZEPHYR	4	1979	F	(See Ford Fairmont)									
MERCURY	ZEPHYR	4	1979	R	35.3	3328								Y
OLDSMOBILE	CIERA	4	1982	F	(See Chevy Celebrity)									
OLDSMOBILE	CUTLASS	4	1980	F	35.4	3815	1334/1125	62/47	801/1958	476/459	Y	Y	Y	-
OLDSMOBILE	CUTLASS	4	1980	R	35.1	3983								Y
OLDSMOBILE	CUTLASS SUP.	2	1979	F	34.8	3799	695/501	42/40	1130/2082	567/523	Y	Y	Y	-
OLDSMOBILE	CUTLASS SUP.	2	1979	R	(See Pontiac Grand Prix)									
OLDSMOBILE	CUTLASS SUP.	2	1979	F	35.1	3816	997/799	58/37	1675/1800	350/650	N	Y	Y	-
OLDSMOBILE	CUTLASS SUP.	2	1979	R	(See Pontiac Grand Prix)									
OLDSMOBILE	DELTA 88	4	1979	F	(See Chevy Impala)									
OLDSMOBILE	DELTA 88	4	1979	R	(See Pontiac Catalina)									
OLDSMOBILE	OMEGA	4 HB	1980	F	(See Chevy Citation)									
OLDSMOBILE	OMEGA	4 HB	1980	R	(See Chevy Citation)									
OLDSMOBILE	98	4	1979	F	35.0	4709	910/1734	59/54	774/535	370/439	Y	Y	Y	NT
PEUGEOT	504	4	1979	F	35.3	3526	4513/2498	63/43	504/1786	1082/679	Y	Y	Y	NT
PLYMOUTH	CHAMP	2 HB	1979	F	35.3	2313	1270/1918	72/66	893/435	686/561	Y	Y	Y	-
PLYMOUTH	CHAMP	2 HB	1979	R	(See Dodge Colt)									
PLYMOUTH	HORIZON	2 HB	1979	F	34.9	2661	653/780	52/38	974/708	581/657	Y	Y	Y	-
PLYMOUTH	HORIZON	2 HB	1979	R	35.5	2809								
PLYMOUTH	HORIZON	4 HB	1982	F	(See Dodge Omni)									Y
PLYMOUTH	RELIANT	4	1981	F	34.8	2910	605/1731	52/59	1000/540	720/800	Y	Y	Y	-
PLYMOUTH	RELIANT	2	1981	R	(See Dodge Aries)									
PLYMOUTH	RELIANT	4	1981	O	34.9	2798	355/566	31/50	1655/883	886/1429	NA	NA	Y	Y
PLYMOUTH	SAPPORO	2	1981	R	35.0	3247								N

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
PLYMOUTH	VOLARE	2	1979	F	35.0	3820	724/1677	40/40	1000/1000	1200/570	Y	Y	Y	
PLYMOUTH	VOLARE	2	1979	R	(See Dodge Aspen)									
PONTIAC	BONNEVILLE	4	1979	F	(See Chevy Impala)									
PONTIAC	BONNEVILLE	4	1979	R	(See Pontiac Catalina)									
PONTIAC	CATALINA	4	1979	F	(See Chevy Impala)									
PONTIAC	CATALINA	4	1979	R	34.9	4350								Y
PONTIAC	FIREBIRD	2	1979	F	35.2	3909	965/1297	42/47	582/472	503/717	Y	Y	Y	
PONTIAC	FIREBIRD	2	1979	R	(See Chevy Camaro)									
PONTIAC	FIREBIRD	2 HB	1982	F	(See Chevy Camaro)									
PONTIAC	GRAND PRIX	2	1979	F	(See Cutlass Supreme)									
PONTIAC	GRAND PRIX	2	1979	R	35.1	3920								N
PONTIAC	LE MANS	4	1980	F	(See Olds Cutlass)									
PONTIAC	LE MANS	4	1980	R	(See Olds Cutlass)									
PONTIAC	PHOENIX	4 HB	1980	F	(See Chevy Citation)									
PONTIAC	PHOENIX	4 HB	1980	R	(See Chevy Citation)									
PONTIAC	SUNBIRD	2	1979	F	(See Chevy Monza)									
PONTIAC	SUNBIRD	2	1979	R	34.9	3223								Y
PONTIAC	6000	4	1982	F	(See Chevy Celebrity)									
RENAULT	FUEGO	2	1982	F	35.0	2902	3768/2484	50/35	493/684	396/1136	N	Y	Y	-
RENAULT	LE CAR	2 HB	1980	F	34.5	2196	1938/1844	85/53	1095/1663	2236/1840	Y	Y	Y	
RENAULT	LE CAR	2 HB	1980	R	35.2	2271								N
RENAULT	18i	4	1981	F	35.2	2750	1150/1659	47/36	360/280	800/700	N	Y	Y	-
RENAULT	18i	4	1981	R	35.5	2688								Y
RENAULT	18i	4	1981	0	34.5	2808	731/1001	35/39	269/458	430/543	NA	NA	Y	Y

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
SAAB	900	4	1982	F	35.3	3220	734/1166	39/35	990/725	800/1275	Y	Y	Y	-
SUBARU	GLF	4	1980	F	35.0	2618	1087/2837	72/94	799/1291	966/1583	N	Y	Y	-
SUBARU	GLF	4	1980	R	35.1	2560								Y
TOYOTA	CELICA	2 HB	1979	F	34.8	3025	849/1862	61/59	2920/435	400/520	Y	Y	Y	-
TOYOTA	CELICA	2 HB	1979	R	34.7	2960								Y
TOYOTA	CELICA	2	1982	F	34.7	3060	702/530	36/45	456/448	360/359	Y	Y	Y	
TOYOTA	COROLLA	2	1979	F	35.0	2651	NA/NA	NA/NA	2000/640	1400/440	Y	Y	Y	-
TOYOTA	COROLLA	2	1979	R	35.0	2538								Y
TOYOTA	COROLLA	4	1980	F	35.0	2680	838/1162	69/92	740/775	200/270	Y	Y	Y	-
TOYOTA	COROLLA	4	1980	R	35.3	2605								N
TOYOTA	CORONA	4	1982	F	34.9	3040	842/828	59/40	1400/1178	888/507	Y	Y	Y	-
TOYOTA	CRESSIDA	4	1981	F	35.1	3417	1980/771	55/50	1710/1982	1644/1807	Y	Y	Y	-
TOYOTA	CRESSIDA	4	1981	R	34.9	3371								Y
TOYOTA	STARLET	2 HB	1981	F	35.1	2214	1836/1351	65/48	830/989	652/124	Y	Y	Y	-
TOYOTA	STARLET	2	1981	R	35.4	2221								Y
TOYOTA	TERCEL	2	1980	F	35.3	2314	1218/1179	48/53	1055/1078	1386/449	Y	N	N	-
TOYOTA	TERCEL	2	1980	R	35.2	2271								Y
VOLKSWAGEN	JETTA	4	1981	F	34.9	2650	1210/1272	68/52	1276/1191	1559/1286	N	Y	Y	-
VOLKSWAGEN	JETTA	4	1981	R	35.0	2650								Y
VOLKSWAGEN	JETTA	4	1981	O	34.8	2521	161/517	35/31	758/1295	1547/1163	NA	NA	Y	Y
VOLKSWAGEN	RABBIT	2 HB	1979	F	34.8	2600	1024/429	67/33	1170/630	937/1460	Y	Y	Y	-
VOLKSWAGEN	RABBIT	2 HB	1979	R	35.0	2470								N

MAKE	MODEL	DOORS	MODEL YEAR	TEST MODE	Test Speed (mph)	Test Weight (lbs.)	HIC No. d/p	Chest Resultant Acceleration (g's) d/p	Femur Loads (Pounds) Driver L/R	Femur Loads (Pounds) Passenger L/R	Meets Criteria of the Standards at 35 mph 212	219	301 Frontal	301 Rear
VOLKSWAGEN	RABBIT CONV.	2	1980	F	34.9	2767	1328/829	48/54	458/424	1364/722	Y	Y	Y	-
VOLKSWAGEN	RABBIT CONV.	2	1980	R	35.0	2641								N
VOLKSWAGEN	SCIROCCO	2	1982	F	35.1	2680	1482/683	54/37	330/275	200/175	Y	Y	Y	-
VOLKSWAGEN	QUANTUM	4	1982	F	34.6	2954	1353/1194	53/41	180/436	561/413	Y	Y	Y	-
VOLVO	244 DL	4	1979	F	35.0	3374	1782/1889	52/61	320/900	700/320	Y	Y	Y	-
VOLVO	244 DL	4	1979	R	34.6	3390								Y
VOLVO	DL	2	1982	F	34.9	3354	550/381	45/35	154/1147	892/227	NA	NA	NA	NA

DOORS: HB = Hatchback, Liftback, or Fastback.

TEST MODE: F = Frontal. Cars were crashed head-on into a fixed barrier at 35 mph.
O = Oblique. This is a modified frontal test. The cars were crashed into the barrier at a 30 degree angle at 35 mph.
R = Rear. Cars were rear-impacted into the fixed barrier at 35 mph to check for fuel leakage.

HIC: Head Injury Criteria. The head injury limit is 1,000.
Chest Resultant Acceleration: The limit for chest acceleration is 60 g's.
Femur Loads: The femur load limit is 2,250 pounds.
[HIC, Chest Resultant Acceleration, and Femur Loads are injury criteria of Federal Motor Vehicle Safety Standard (FMVSS) 208, Occupant Protection.]

MEETS CRITERIA OF THE STANDARDS AT 35 MPH:

212 = FMVSS 212, which requires that a specific percentage of the windshield mounting remain attached.
219 = FMVSS 219, which requires that no vehicle parts from outside the occupant compartment may intrude into a defined zone in front of the windshield.
301 = FMVSS 301, which limits the amount of fuel leakage from any part of the fuel system during the crash test, and following the test when a vehicle is slowly rotated through 360 degrees.

Y = Yes.
N = No.
NT = Not Tested.
NA = Not Available. (Cars tested under the oblique mode did not include testing for compliance with 212 and 219.)

NEW CAR ASSESSMENT PROGRAM

Senator Andrews: Describe the process and/or system for making such information available to consumers.

Response: There are four ways the National Highway Traffic Safety Administration (NHTSA) makes crash test information available to the public. The first is by providing the results of the tests to the news media via press releases or in response to individual requests. Once a car has been crashed, the contractor provides this agency with a final report, a 16 mm film of the crash event, and a data tape. Agency engineers analyze the three items for conformance with the test procedures and determine whether to validate the test as conducted, validate the test with reservations, or invalidate the test (or portions thereof). After the engineers complete their determination, the information is forwarded to the Office of Public and Consumer Affairs (OPCA) and released to the news media via a press release.

The second way the agency disseminates crash test information is in response to specific requests from consumers. A consumer may telephone or write for the information. Telephone requests for the results on a specific vehicle are answered over the phone. Calls for more comprehensive results and all letters are answered by mailing the complete results to the consumer. Telephone calls may come to the Rulemaking Office or the Hotline. Crash test information is made available on the Hotline as soon as the agency has validated it. When cars have been tested, but results are not in, consumers are told results are pending. If cars are scheduled for test, this also is disclosed.

Third, the agency keeps a copy of all final reports and crash test films in the docket room, where they can be perused by the public during office hours.

Finally, any consumer can purchase a copy of any final report or crash test film by calling the docket room and requesting a copy.

Senator Andrews: Describe how consumers can compare different model vehicles for crashworthiness, damageability, and ease of diagnosis and repair.

Response: The long term objective of the agency is to increase consumer awareness of the safety and performance differences among various passenger vehicle makes and models, to foster competition among manufacturers to produce cars which are safer, more resistant to damage, and less costly to service and repair.

In the crashworthiness area, the agency is currently crash testing passenger motor vehicles frontally at 35 mph into rigid barriers. Instrumented test dummies, wearing the lap and shoulder belts, are placed in the vehicle, and the responses of the head, chest, and femurs (thigh bones) are monitored during the crash event. These responses are published by the agency for each make and model tested. This information allows consumers to compare the crashworthiness performance of various vehicles in these tests.

Currently the agency is not producing ease of diagnosis and repair or damageability information for consumers. Early efforts to secure reliable data were unsuccessful. For example, while cost-of-part-and-labor estimates can be made, as in The Car Book, such data are meaningless without frequency of repair data as well. The latter data is extremely difficulty if not impossible to obtain. Title II efforts to date have pursued research programs which centered on developing ease of diagnosis and repair ratings in terms of maintainability. The critical component of such a rating system was the identification of one or more repair data sources from which reliable frequency-of-repair information for key vehicle systems and components could be obtained. The absence of reliable frequency-of-repair data was a major factor in the inability to develop a maintainability (ease of diagnosis and repair) rating system. As a result, we are reassessing the definition and scope of the ease of diagnosis and ease of repair in new passenger motor vehicles. Study plans are being formulated to examine diagnosis capability differences among new makes and models and to examine other effects relating to ease of repair. This work and a determination of the feasibility of ease of diagnosis and ease of repair ratings will be completed in 1984.

Similarly, damageability information on new models is not available from any reliable source. Although numerous data sources have been investigated, no singular or collective data sources have been identified which allow for development of damageability ratings. As a means of providing some damageability information to consumers, the agency is developing a test procedure for evaluating bumper protection levels available above the current 2.5 mph standard, which is planned for completion in 1983.

Senator Andrews: In May 1982, NHTSA announced the rollback of the bumper standard from 5 miles per hour to 2.5 miles per hour. How does NHTSA plan to monitor the cost/benefit impact of this decision?

Response: Currently insurance claim information is being collected on 1982 model automobiles equipped with 5 mile per hour bumpers to establish a baseline on collision damage experience. Weight and cost data are also being obtained on a representative sample of 1982 models. Comparable collision and cost/weight information will be obtained for 1983 and later model year cars. Once a sufficient data set is available for post-standard cars, actual benefit and cost will be determined to analyze the impact of the 2.5 mile per hour bumper standard.

As outlined in the final rule, NHTSA is separately undertaking to test bumpers to be proffered in excess of the minimum set by the standard.

Senator Andrews: If some of the manufacturers continue to offer vehicles with the 5 mile per hour bumpers, what effect would this have on NHTSA's cost/benefit computation which formed the basis for revising the standard?

Response: None, since the analysis conducted was by statute directed towards the effects of the standard itself, i.e., the effect of different minimum levels common throughout the fleet. The continued optional offering of 5 mph bumpers, will not affect, on the average, our cost-benefit ratios. Although we found that 5 mph bumpers do not yield net benefits as large as those offered by 2.5 mph systems, it must be recalled that these are only average figures. Some consumers, who, because of their driving environment, may be involved in a higher than average number of low-speed accidents, would benefit further from bumper systems offering protection above the minimum values set forth in the standard. By monitoring such changes, together with the planned collision damage and bumper cost data collection, benefit and cost analyses of the actual fleet effect of the minimum 2.5 mile per hour standard can be undertaken.

UNIFORM TIRE QUALITY GRADING SYSTEM

Senator Andrews: On February 2, 1983, NHTSA suspended the requirement that tire manufacturers test their products and assign tread-wear ratings "to avoid dissemination of potentially misleading information on the expected tread life of passenger car tires." What evidence does NHTSA have that information on test results of treadwear is any more misleading than that available on traction and temperature resistance?

Response: Treadwear test results depend on (1) test vehicle characteristics, (2) wheel alignment, (3) driver, (4) accuracy of weight scales, (5) treadwear depth probes, (6) position of the tire on the test vehicle, (7) temperature of the tire tread at the time of measurement, (8) humidity, (9) barometric pressure, (10) road temperature, (11) ambient temperature, (12) tire load and placement of the load in the vehicle, (13) tire pressure, etc. The agency has found a substantial amount of variability in the results of these treadwear tests. This variability results, in a large part, from a wide variety of presently uncontrolled, and perhaps uncontrollable, sources of variability in the treadwear test procedure. This, coupled with the different approaches among the tire manufacturers in translating test results into treadwear grades, provides information to consumers which can be extremely misleading.

The two test procedure variables which affect traction and temperature resistance performance are tire pressure and test load. As such, the results for these tests do not vary significantly. Also, there are only three grades for traction and temperature resistance -- A, B, or C, as opposed to numeric grades assigned for treadwear. For example, treadwear test results have ranged from 70 to 410 in increments of 10, for one tire manufacturer.

The agency considered whether a better grade system applied to calculated treadwear test results could reduce variability excursions, but concluded that such a system would so compromise utility of the system by masking differences among tires as to be virtually useless.

Finally, the essential point of the agency's negative conclusion on treadwear was not merely variable results, but results that varied so widely as to produce rank order changes even in agency test results conducted under conditions much more stringent than called for by grading test procedures. The presence of rank order changes introduced the certainty that at least some consumers were not merely not being informed as to performance with sufficient accuracy, but were being affirmatively misled into believing inferior tires would be better than superior tires. This result is believed to be not merely inconsistant with the goal of the program but absolutely unacceptable where a government created comparative rating system is involved.

Senator Andrews: Why does NHTSA not consider tread wear "safety" information about tires that should be made available to consumer?

Response: Safety considerations are addressed by the minimum performance standards for tires set forth in FMVSS No. 109. Unlike grades for the properties of traction and temperature resistance, the treadwear grades have never been intended to promote safety. Their essential value has always been to aid consumers in selecting new tires by informing them of the performance expectations of tread life.

Senator Andrews: Does NHTSA now have underway or plan to conduct research to develop adequate test procedures for measuring tread wear?

Response: Yes, but the threshold question of whether tires are inherently so different, specimen to specimen, to preclude any meaningful comparison based on expected treadwear, however measured, must be answered. The agency has identified a wide variety of presently uncontrolled sources of variability in the treadwear test procedure, and believes that other sources remain to be discovered. Although some or all of these sources may ultimately be found to be controllable to the extent that the variability in test results is reduced to acceptable levels, considerable research must be completed before the agency can determine whether or how that can be achieved. Much of the necessary research has already been initiated. If variability can be adequately controlled, and when research is completed, the agency will be able to determine whether the suspension of treadwear grading should be lifted.

FUEL ECONOMY STANDARDS

Senator Andrews: You claim that the passenger auto fleet fuel economy for 1982 is projected to be 26.2 mpg. Has EPA verified that yet?

Response: No. The 26.2 mpg figure was developed by NHTSA as part of its assigned enforcement responsibilities based upon the manufacturers sales weighted projections provided in their semi-annual reports submitted to the agency.

EPA is routinely provided with a copy of the calculations on an informational basis.

FUEL ECONOMY

Senator Andrews: Recent information indicates that neither GM nor Ford expect to meet the government's 1983 fuel economy standard of 26 mpg. The auto manufacturers expect their products will average 24.1 and 24.3 mpg, respectively. On the other hand, Chrysler expects its fleet will average about 27.5 mpg. What is NHTSA doing to encourage manufacturers to produce automobiles that meet the average fuel economy standards?

Response: NHTSA is following closely the efforts of all manufacturers to meet fuel economy standards. Furthermore, we intend to carry out all the responsibilities mandated under Title V of the Motor Vehicle Information and Cost Savings Act and delegated to the agency.

It might be noted that the probable results cited arise primarily from the fleet averaging methodology employed in the program, and Chrysler's decision virtually to eliminate larger cars from their product line.

Senator Andrews: Has NHTSA given any consideration to revising the average fuel economy standards for automobiles?

Response: We are currently evaluating all of our options with respect to automobile fuel economy standards. These range from: 1) making no changes and relying on the existing mechanism of carrying back and carrying forward penalties and credits; to 2) reducing standards for the next few years until we can determine if changes in fuel prices and economic conditions will strengthen demand for more fuel efficient vehicles. No decisions have been made.

Senator Andrews: Are the reasons for establishing the 1975 fuel economy standards still relevant and applicable to the automotive fleet?

Response: Congress enacted the fuel economy standards law because it believed that "the necessity for insuring major improvements in automobile fuel economy is so clear that (a) legally enforceable requirement respecting improvements of fuel economy must be imposed." (House Report 94-340, July 9, 1975.) Despite current adverse market and economic conditions, manufacturers are continuing to increase fuel efficiency as they redesign their vehicles to smaller, lighter configurations. If a continued sufficient market demand for such vehicles exists, the necessity for legally enforceable standards more stringent than those already established could be diminished. In any event, the agency's responsibility under the federal law will be fully complied with.

Senator Andrews: Does NHTSA anticipate that fuel economy standards will become a major issue requiring greater concern on the part of the Safety Administration?

Response: Fuel economy standards are already a major issue for the agency. Penalties for missing fuel economy standards may cost major manufacturers and consumers many millions of dollars at a time when large capital investments to improve their competitive positions are still required. Additionally, the light truck standards we are now developing for 1986 and 1987 will affect one of their most profitable products. NHTSA recognizes that our actions in these areas can have a significant impact on the auto industry and the U.S. economy.

DRIVING WHILE DRINKING

Senator Andrews: The Washington Post reported that the Virginia Legislature defeated a bill expressly prohibiting drinking behind the wheel. In how many States is the law either silent or ambiguous on driver drinking?

Response: The Virginia 1983 legislature considered open container legislation which would have made it illegal to have an open container alcoholic beverage in a motor vehicle. However, the legislation did not pass. Nineteen States presently have an open container law. The remaining States are silent on a person drinking while operating a vehicle.

Senator Andrews: Has NHTSA included this as a criteria for States receiving Section 408 Supplementary Grants, or in some way provided State legislators an incentive to make it illegal to drink while operating a car?

Response: Open container legislation by itself was not identified as one of the 21 criteria to qualify for a supplemental grant. However, we adopted a criteria to encourage States to develop new, unique and innovative programs. Thus a State could adopt open container legislation and in its implementation show how it could be as effective as other alcohol programs. In appropriate circumstances, this could constitute satisfaction of the "innovative program criteria." This would be particularly appropriate since enactment of the open container legislation was a recommendation of the Presidential Commission on Drunk Driving, and adoption of such recommendations was recognized in the legislation creating the program. We will also encourage States to evaluate the effects of such legislation to derive better data s to its impact on increasing deterrence.

REQUIREMENTS SUMMARY

Senator Andrews: Your justification indicates a $4.5 million increase over FY 1983 for the program increases within the Operations and Research account. Please provide a breakdown of each budget activity showing personnel and program levels for FY 1982 through FY 1984. In particular, provide levels for new or expanded areas such as the NDR (Highway Safety) and air bag cooperative agreement with GSA. In addition, show levels comparable in FY 1982 and FY 1983 to the FY 1984 operating expense components (formerly centralized as "General Administration").

Response: The information is provided in the following table.

7

Department of Transportation
National Highway Traffic Safety Administration
Comparison of FY 1982 - FY 1984 Program Requirements
By Program Line Item
(Dollars in Thousands)

Program by Activities	FY 1982	FY 1983	FY 1984	FY 1983-FY 1984 Change
Rulemaking Programs				
Permanent Positions	96	78	78	...
Full-time equivalent positions	98	86	74	-12
Dollars:				
(a) Salaries and Expenses	$4,391	$4,600	$3,984	-$616
(b) Operating Expenses	65 1/	...	862	+862
(c) Contract Program:				
Vehicle Safety and Consumer Standards	530	530	781	+251
Automotive Consumer Program	999	... 2/	... 2/	...
Subtotal	1,529	530	781	+251
Total, Rulemaking Programs	5,985	5,130	5,627	+497
Enforcement Programs				
Permanent Positions	98	96	96	...
Full-time equivalent positions	97	88	88	...
Dollars:				
(a) Salaries and Expenses	3,978	4,099	4,229	+130
(b) Operating Expenses	485 1/	...	1,254	+1,254
(c) Contract Program:				
Vehicle Safety Compliance	3,358	3,631	4,000	+369
Defects Investigation	1,884	2,000	2,100	+100
Subtotal	5,242	5,631	6,100	+469
Total, Enforcement Programs	9,705	9,730	11,583	+1,853

Program by Activities	FY 1982		FY 1983	FY 1984	FY 1983 - FY 1984 Change
Highway Safety Programs					
Permanent Positions	175		171	171	...
Full-time equivalent positions	199		171	167	-4
Dollars:					
(a) Salaries and Expenses	$9,631		$8,289	$7,863	-$426
(b) Operating Expenses	164	1/	...	1,014	+1,014
(c) Contract Program:					
Alcohol Countermeasures Programs	1,592		1,300	2,075	+775
Safety Belt Usage Programs	770		1,200	1,440	+240
Countermeasures Improvement & Support	758		500	484	-16
Improvement of State Program Management Capability					
Management Information Systems	225		100	110	+10
National Driver Register	1,000		1,000	2,200	+1,200
State Traffic Records	200		200	...	-200
Subtotal	4,545		4,300	6,309	+2,009
Total, Highway Safety Programs	14,340		12,589	15,186	+2,597
Research and Analysis					
Permanent Positions	161		141	141	...
Full-time equivalent positions	155		145	133	-12
Dollars:					
(a) Salaries and Expenses	6,780		7,031	6,531	-500
(b) Operating Expenses	990	1/	...	2,669	+2,669
(c) Contract Program:					
Motor Vehicle Research					
Crashworthiness Research	7,203		7,570	7,147	-423
Crash Avoidance Research	1,100		2,430	2,650	+220
Heavy Duty Research	1,524		350	360	+10
Automotive Industry Research	1,375		...	...	...

Program by Activities	FY 1982	FY 1983	FY 1984	FY 1983 - FY 1984 Change
Production Air Bag Systems (GSA)	...	...	$1,000	+$1,000
Subtotal	11,202	10,350	11,157	+807
Highway Safety Research				
Occupant Protection	1,250	1,100	1,195	+95
Alcohol and Driving	850	850	1,050	+200
Develop and Test new Countermeasures	100	150	...	-150
Subtotal	2,200	2,100	2,245	+145
National Center for Statistics and Analysis				
Fatal Accident Reporting Systems (FARS)	3,176	3,150	3,276	+126
National Accident Sampling System (NASS)	8,773	9,605	10,017	+412
Accident and Exposure Data Analysis	2,119	1,995	2,075	+80
Special Interest Accident Investigation	195	250	250	...
Subtotal	14,263	15,000	15,618	+618
Subtotal, Contract Program	27,665	27,450	29,020	+1,570
Total, Research and Development	35,435	34,481	38,220	+3,739
Social Research and Development				
Dollars:				
Contract Program:				
Automotive Consumer Program	...	545	740	+195
Program Evaluation/Compliance Reviews	...	168	168	...
Total, Social Research & Analysis	...	713 2/	908 2/	+195

Program by Activities	FY 1982	FY 1983	FY 1984	FY 1983 - FY 1984 Change
Office of the Administrator				
Permanent Positions	...	41 3/	41 3/	...
Full-time equivalent positions	...	40	38	-2
Dollars				
(a) Salaries and Expenses	...	$1,882	$1,825	$-57
(b) Operating Expenses	...	...	895	+895
(c) Contract Program - Compliance Reviews	...	22	22	...
Total, Office of the Administrator	...	1,904	2,742	+838
General Administration				
Permanent Positions	156	90 3/	90 3/	...
Full-time equivalent positions	146	93	86	...
Dollars:				
(a) Salaries and Expenses	5,521	3,736	3,499	-237
(b) Operating Expenses	7,129 1/	10,474	3,483	-6,991
(c) Contract Program	1,410	740 2/ 3/	740 2/ 3/	...
Total, General Administration	14,060	14,950	7,722	-7,228
Grand Total, NHTSA				
Permanent Positions	686	617	617	...
Full-time equivalent positions	695	623	586	-37
Dollars:	$79,525	$79,497	$81,988	-$2,491
Salaries & Expenses	(30,301)	(29,637)	(27,931)	(-1,706)
Operating Expenses	(8,833)	(10,474)	(10,177)	(-297)
Contract Program	(40,391)	(39,386)	(43,880)	(+4,494)

	FY 1982	FY 1983	FY 1984	FY 1983-FY 1984 Change
Appropriation Distribution:				
FY Appropriation	$74,900	$74,000	$77,998	+$3,998
FY 1983 Pay Raise Supplemental	...	600	...	-600
Formula Grant Transfer	4,625	4,897	3,990	-907
Total	$79,525	$79,497	$81,988	+$2,491
Financing:				
Federal Funds	$53,215	$52,745	$55,784	+$3,039
Highway Trust Fund	26,310	26,752	26,204	-548
Total	$79,525	$79,497	$81,988	+$2,491

1/ Computer support and facilities costs were funded by program budget activities to ensure compliance with the FY 1982 Conference Report.

2/ The Automotive Consumer Program previously budgeted in the Rulemaking budget activity and a portion of in General Administration are now classified as Social Research and Development - FY 1983 - FY 1984.

3/ The FY 1983 Conference Report directed that a separate budget line item be established for the Office of the Administrator, NHTSA. In compliance with this direction, 41 positions are transferred from the General Administration budget activity as well as compliance reviews contract funds.

Senator Andrews: Why is there an increase for FY 1983 and FY 1984 Standard Level User Charges when the Continuing Resolution held FY 1983 payments by agencies to the FY 1982 per square foot rate?

Response: The FY 1983 and FY 1984 estimates of amounts to be paid for Standard Level User Charges (SLUC) were based on preliminary information that the General Services Administration had provided to the Department of Transportation. The preliminary estimates, in both instances, included increases over the FY 1982 square foot rate.

The following table shows the decreases which will result from maintaining SLUC payments at the 1982 square foot rate in 1983 and 1984 as required by Section 108 of P.L. 97-377 (Continuing Appropriations for Fiscal Year 1983).

	FY 1982	FY 1983	FY 1984
		(dollars in thousands)	
SLUC payments as currently shown in FY 1984 budget submission	$2,346	$2,490	$2,393 *
SLUC payments based on maintaining the FY 1982 square foot rate	2,346	2,323	2,190

*The amount of $2.520 million shown in the President's Budget was subsequently revised downward to give effect to an anticipated reduction in square feet requirements associated with staffing reductions.

SEAT BELT CAMPAIGN

Senator Andrews: From our review of the draft GAO Report, a number of other questons now seem appropriate. What have the evaluation efforts that were ongoing at the time of GAO's review shown with respect to the program's effect, especially on the public's use of safety belts? Can NHTSA tie any increased use of safety belts to a reduction in fatalities and injuries?

Response: NHTSA measures national belt use through an observation study performed in 19 cities selected to represent the United States. The observed belt use for drivers during 1981 through the summer of 1982 was 11.5 percent. During the end of 1982 and the first part of 1983 significant increases have taken place with our current national usage rate running at slightly over 13 percent. It might be noted that as mentioned in NHTSA's separate submission to the Committee on this subject, our data gathering technique is designed so as to prevent surges in usage limited in either time or area from affecting national statistics. Any such campaign as NHTSA's, therefore, will suffer in its early stages, from a systematic disadvantage, since usage increases will occur in the areas of successful programs first before spreading to all areas uniformly.

Senator Andrews: Does NHTSA now have a final evaluation plan for the program? If so, please furnish it for the record.

Response: Yes. The final evaluation plan follows.

[CLERK'S NOTE.—The final evaluation plan is available for review in the subcommittee files.]

Senator Andrews: Has NHTSA now completed its research and pilot tested materials that were develolped for use to convince various program participants (principally private employees) of the benefits and ways to conduct incentive programs and adopt use policies?

Response: NHTSA has now completed the first phase of research to develop and test materials for various program participants, demonstrating the benefits of incentives and use policies. This phase included: (1) gathering of case studies illustrating the cost to employers of crashes in which employees were not wearing belts and the cost savings in like crashes where employees did wear the safety belt; (2) experiments on cost-effective methods of implementing successful incentive programs; (3) analysis of existing successful employer safety belt programs to determine the essential components of such a program; and (4) a manual to convey these results to potential users.

The second phase of research is now underway to find methods of applying incentives to other situations, such as communities which do not show common elements of communication or persuasion, and of answering still outstanding questions of how best to maintain high employee use over the long run.

Senator Andrews: How receptive have the program participants been to these materials and what does NHTSA know about their use by such participants?

Response: The initial receptivity of employers, both in the public and in the private sector, to the results of research on incentives and employee programs has been extremely encouraging. The clear record of success in these research programs has been a major selling point for the approach. Already some 300-350 copies of the incentive manual mentioned above have been distributed in response to requests from employers and other interested in promoting this concept. The NHTSA program managers and the contractors who conducted the research have been asked to present their findings at national conferences, State workshops, seminars and professional meetings. A number of companies have begun programs based on this research and already htere have been documented cases of crashes in which employees who had not previously worn belts were saved from injury and possible death because of their change in behavior.

Senator Andrews: What major research efforts relating to this program are now ongoing and what further efforts are needed? For the ongoing efforts, please provide the name of the contractor, date of award, cost, estimated completion date, and general description of work being done.

Response: Major safety belt research efforts fall into the following categories:

1. Continuing observation studies
2. Motivational studies
3. Studies designed to develop and/or test approaches to specific target audiences

Among the audiences for whom approaches are now being tested are: employers, high school students, elementary students, insurance companies, auto dealers, heavy truck drivers. Details on these projects are listed below.

Further research is needed to answer the following questions:

1. How can the high levels of use achieved by employer incentive and education programs best be sustained over a long period?
2. How can the cost-benefits of employer, community, or State programs, and the effectiveness of child safety seat laws be better documented?
3. How can safety belt use best be enhanced within minority, low income and less educated social strata and communities?
4. How can results of current and future research be packaged so as to maximize their use by States, localities, and the private sector?
5. What are the best ways of using existing State functions (e.g., licensing) to help promote belt use?

Continuation and enhancement of ongoing research studies so as to increase sensitivity to changes in use and regular conducting of attitudinal and motivational surveys will also be necessary to monitor and modify the program as it develops.

ONGOING EFFORTS:

Project Title: Restraint System Usage in the Traffic Population
Contractor: Goodell-Grivas, Inc.
Date of Award: 9/82
Cost: $546,367
Estimated Completion Date: 1/85
Description: This project will continue the ongoing observations of safety belt and child seat usage in the traffic population in 19 representative U.S. cities. Data obtained from this effort will serve as the major component of NHTSA's evaluation of the national program to increase the use of safety belts. In addition, the project also covers observations at other sites designed to assist States in efforts to evaluate their child safety seat usage programs.

Project Title: Motivation of Specific Target Groups
Contractor: Lance Terrance Associates
Date of Award: 9/82
Cost: $50,271
Estimated Completion Date: 6/83
Description: This effort will determine the most effective means to encourage specific groups of drivers and passengers to use restraints. Included here are teenagers, pre-teen aged children, young adults, parents (for child seat utilization), and the elderly. Based on focus group techniques, those motivational approaches, types of material and communications

networks that appear to have the greatest potential for influencing each specific target group to use safety belts or child safety seats will be identified.

Project Title: Develop Alternative Perception of Risk Approaches
Contractor: Perceptronics, Inc. and Highway Safety Research Center (HSRC), University of North Carolina
Date of Award: 9/82
Cost: $253,000
Estimated Completion Date: 9/83

Description: This project will develop and document effectiveness of a set of perception-of-risk approaches to increase safety belts usage. This project follows the preliminary FY 1981 work on this issue and will test a variety of approaches, including ways to focus on using belts to reduce perception of risk to zero, ways of augmenting the awareness of the danger of driving, ways of focusing on the risk of injury, as well as death. Awarded as part of a double contract to Perceptronics and HSRC, this contract was begun in FY 1982 and is split funded. It will conduct a series of tests for winnowing themes related to perception of risk and safety belt use down to three high-potential ideas. These ideas will then be developed into broadcast quality 30-second spots which will be tested for impact and effectiveness by HSRC. Effective spots will be fed directly into the Agency's public media program.

Project Title: Employer Cost for On-the-Job Vehicle Accidents Due to Non-Use of Safety Belts
Contractor: Pabon, Sims, Smith and Associates, Inc.
Date of Award: 9/80
Cost: $160,000
Estimated Completion Date: 7/83

Description: An important and very large target group for increasing restraint use is employees. If employers can be convinced that belt wearing by their employees will benefit the company financially, they could institute a corporate policy requiring or encouraging restraint use. From a sample of representative corporations, data was obtained pertaining to company costs resulting from on-the-job motor vehicle accidents, company policy regarding the use of safety belts, and estimate of belt use by employees. Based on this data, an assessment was made of the additional cost to employers for each job-related motor vehicle crash in which an employee is not wearing his or her safety belt. A manual has been prepared for distribution by NHTSA to show employers the potential cost advantages of programs to increase safety belt usage by employees. Analysis has also been made of the major components of successful corporate employee programs and a set of tested guidelines developed. Finally, analysis of the potential of using corporate health officials as sponsors of such a program is also being done.

Project Title: New Car Dealer Program
Contractor: National Auto Dealer Association (NADA)
Date of Award: 12/82
Cost: $75,000
Estimated Completion Date: 8/83

Description: Implement and assess previously developed approach and materials to influence new car dealers to promote belt use by their customers. This "package" of developed materials will be used in sales training and "special" meetings for dealers and salespersons. An assessment will be made to determine if the program actually influences salespersons to promote safety belt use as part of their sales approach as well as to assess this approach on the knowledge and attitudes of their customers. The refined package will be reproduced and distributed by NADA in cooperation with auto manufacturers.

Project Title: Assessment of School Safety Restraint Education Programs/Materials
Contractor: American Driver and Traffic Safety Education Association
Date of Award: 9/82
Cost: $144,000
Estimated Completion Date: 8/84

Description: This effort is to evaluate and document the effectiveness of various safety restraint educational materials and/or programs developed for use in the schools. This requires a review of the development and any previous testing of these materials/programs; an administrative and compact assessment; and may involve the development of user-oriented guidelines to assure the appropriate use of any materials/programs NHTSA may want disseminated.

Project Title: Feasibility of Developing a K-12 Traffic Safety Education Program
Contractor: Creative Associates, Inc.
Date of Award: 9/81
Cost: $149,000
Estimated Completion Date: 7/83

Description: This effort will determine what youngsters 5-18 years old need to know at specific ages concerning safety restraints, alcohol, pedestrian, and bicyclist safety; what youngsters are capable of knowing at specific ages; the best method of teaching traffic safety for specific ages; the likelihood that a developed K-12 program will be used; and recommended needed research and initial development (if warrented) of a K-12 program utilizing available information. The results will provide information on the feasibility of developing a K-12 program. If a program is recommended for development, it will be one that is usable by the schools, appropriate for students, and uses appropriate techniques for teaching traffic safety. It also will provide information needed to advance the state-of-the-art for a K-12 program.

Project Title: Supplemental Driver Safety Program Development
Contractor: National Public Services Research Institute
Date of Award: 11/79
Cost: $195,000
Estimated Completion Date: 2/83

Description: The objective of the study is to determine the informational needs and requirements, the appropriate materials and procedures, and the appropriate implementation/promotional strategies for 16-18 year olds for restraint usage, drinking and driving, speeding, hazard perception, and energy efficient driving for supplemental high school education program. The results will improve the driver education program for 16-18 year olds and will allow NHTSA to provide direction to the States for current/future supplemental training programs for young drivers.

Project Title: Increased Restraint Usage by Heavy Duty Vehicle Drivers
Contractor: Transportation Systems Center (TSC)
Date of Award: 10/82
Cost: $75,000
Estimated Completion Date: 3/84

Description: In cooperation with the trucking industry, a study will be made to determine those motivational factors that would lead to greater acceptance and usage of safety belts by drivers of heavy duty vehicles. The study will 1) develop cost reduction arguments and information about other benefits to management which might accrue from implementing a successful safety belt program, 2) determine what driver and safety supervisors believe are necessary to get drivers to buckle up, 3) identify successful model programs and activities, 4) develop program materials (slides, tapes, posters, supervisor guide, driver guide, management motivation materials, public service announcements, and other media materials), 5) implement and evaluate programs in representative companies.

Project Title: Identify Legal and Administrative Actions to Increase Safety Belt Usage
Contractor: Transportation Systems Center
Date of Award: 3/82
Cost: $150,000
Estimated Completion Date: 10/84

Description: One part of this TSC study will establish actions States can take to routinely incorporate safety belt promotion in their regular operations. The study will identify the resources States require to implement these promotional activities. Additionally, State regulatory activities that impede more effective occupant protection will be reviewed and ways to overcome the impediments defined. A second part will determine the feasibility of promoting the "safety belt defense" as a way to encourage safety belt usage. Recommendations will be provided to determine future directions in these areas.

Project Title: Assess Potential Effectiveness of Insurance Incentives
Contractor: Transportation Systems Center
Date of Award: 3/82
Cost: $100,000
Estimated Completion Date: 10/84

Description: This project will objectively and clearly describe the current status of U.S. auto, health, life, and workman's compensation insurance incentives for safety belt usage with reference to the economic, competitive, regulatory, and legal environment in which these insurance industries operate. Practical, administrative, evaluation, and cost-benefit problems faced by insurance companies which would implement such incentives will be identified. Opportunities for effective safety belt incentives will be analyzed in terms of their potential for implementation and effectiveness in increasing safety belt usage. Evaluation support will be provided to insurance companies that implement safety belt incentive programs.

Senator Andrews: With respect to the mass media portion of the program, tell us generally the status of the work being done by Grey Advertising, Inc., under its $786,552 contract awarded on December 15, 1982. Have any products been delivered?

Response: The contractor, Grey Advertising, Inc., is presently developing advertising strategies and concepts for the television, radio, and print media. Current plans are to present the first round of public service materials to media outlets in time for the 1983 holiday and summer vacation season. Grey Advertising personnel have briefed the agency on initial storyboards for public service announcements for the first phase of its television effort and are entering into production at this time.

Senator Andrews: Also concerning mass media, GAO noted in its draft report that NHTSA was unaware of (1) how long the automobile manufacturers planned to sponsor radio, television, and printed media spots or (2) the magnitude of such efforts (e.g., the frequency and locations). Have you made any effort to obtain this information? If not, what does the lack of it do, if anything, to your ability to maintain adequate management control of the program?

Response: We will request information on the extent of automobile manufacturers' plans to sponsor radio, television and print media safety belt campaigns. We are confident that private sector involvement will reinforce our efforts.

NHTSA conducts surveys which measure the effectiveness of mass media efforts. During the past year, awareness of media advertising urging belt use has increased by about 10 percent across the country. Research and experience have shown that mass media efforts, while not significantly effective in increasing belt use by themselves, are nonetheless very important reinforcement mechanisms to other educational, incentives, and required belt use programs. The survey data indicates that private mass media efforts are beginning to fulfill this role, and will be supplemented by NHTSA's own media efforts are targeted to begin during the summer vacation period.

Senator Andrews: On October 20, 1981, NHTSA issued a $9,903 contract to Jacobs and Company, 1820 Jefferson Place, N.W., Washington, D. C., to study the feasibility of establishing a non-profit traffic safety foundation. GAO noted that as of September 1982 - more than 10 months after expiration of the specified contract completion date (2 weeks after award) -- NHTSA continued to work with the contractor to obtain an acceptable feasibility study. Has NHTSA received a satisfactory product? If so, when and what use has it served?

Response: Yes. NHTSA has received a satisfactory product. The contractor's final report was received on January 24, 1983.

The use of the report is to provide information to private sector individuals and groups who share a common concern with NHTSA in reducing traffic deaths and injuries through highway safety activities and programs. Specifically, the report provides the framework through which private sector groups can participate in safety activities by the establishment of a traffic safety foundation. It was felt that NHTSA's educational programs could be greatly enhanced by the establishment of a traffic safety foundation.

Very substantial opposition to the creation of a new foundation to achieve this result was engendered from amongst the existing highway safety institutions, and despite the merits of such a proposal the agency knows of no such efforts to create or promote such an entity.

Senator Andrews: A key factor affecting the success or failure of NHTSA's Safety Belt Program will be the willingness of the numerous voluntary groups, organizations, associations, private companies, and others to make the long-term commitment of funds and other resources needed to bring about and maintain a significant increase in safety belt use. Why do you think that these groups will remain committed to the program over the long term?

Response: Most of the many organizations we are presently working with will continue to promote safety belt usage because it is in their own best economic, public relations or institutional benefit to do so. Much of NHTSA's preliminary work was developed to identify ways in which areas of self-interest could be identified and exploited. NHTSA has attempted to work with organizations which have an inherent interest in the protection of children, health, and safety. Groups such as physician and nursing associations, the American Red Cross, driver educators, science teachers, Boy Scouts, Girl Scouts, and police officers have such an interest. In some cases, e.g., with the Red Cross, driver educators, etc., materials are being integrated into ongoing educational programs. Thus, once this subject matter and the accompanying materials become a part of these curricula, they will continue to be a part of them until they become outdated. In addition, some groups, such as parent teacher groups, have a significant motivator in that it is their children who are being protected or not protected by safety seats and safety belts. Such groups will always have a vested interest in the safety of their children and themselves. Finally, to the extent that private corporations create a favorable public image and to the extent that they are convinced of the economic advantages of preventing accidental deaths and injuries among their employees, safety belt usage efforts will be continued along with other corporate safety efforts. We believe that by far the majority of all the organizations it is presently working with fall into one or more of the above categories.

QUESTIONS SUBMITTED BY SENATOR CHILES

ALCOHOL SAFETY PROGRAM

Senator Chiles: The Department has requested funding that is expected to result in $37.9 million for the newly enacted Alcohol Traffic Safety Programs Act of 1982 and $25.9 million to fund the basic Section 402 safety grants associated with alcohol countermeasures. Mr. Peck's statement indicates that the two programs are not duplicative. Specifically, how are these two programs different and mutually reinforcing?

Response: The funding for the alcohol incentive grant program cannot under the statute be a substitute for State alcohol countermeasure programs provided by Section 402 highway safety grants.

A principal purpose of the 402 program is to provide funds to State governments to be used as "seed money" to start highway safety programs. In 1982, NHTSA issued a final rule, restructuring the 402 program and identified six program areas (including alcohol) as being the most effective in reducing highway crashes, injuries and fatalities. States devote most of their 402 funds to programs in these six areas.

Often, States have dedicated 402 funds to programs which may require a long term commitment of funds. For example, a project to automate a State's traffic records system may require funding over several years. This long term commitment precludes a State from making changes in its programs or starting new programs (such as in the drunk driving area) until it has completed the continuing priority program. 402 funds are also used to support the basic highway safety program in each State including some of the administrative costs of having a separate highway safety program.

The drafters of the 408 alcohol incentive grant legislation were aware of the broad demands on Section 402 funding and clearly intended that additional funds be provided to assist and reward those States that take effective steps toward establishing comprehensive programs aimed at deterring the drunk driver. The alcohol incentive grant program is directed at this goal by providing for an increased level of effort. Section 408 funds cannot be used to supplant existing program funding or to sustain existing programs and are intended to act as catalyst for the States/communities to expand their efforts over and above the base level so that permanent results can accrue. The Incentive Grant Program combined with the Basic Grant Program under Section 402 provide the opportunity to make substantial progress in reducing drunk driving. The Incentive Grant Program will also enable the States to implement many of the major changes in their alochol countermeasures programs recommmended by the Presidential Commission on Drunk Driving. These incentive funds are vitally needed to assist the State and local officials to do more.

The two programs are different in that the incentive funds are for increased level of effort over and above the level funded from either 402 funds or local funds. They are mutually reinforcing in that the increase in effort may be the difference between success or failure.

Senator Chiles: The department recently published the proposed criteria which will be used in awarding the Basic and Supplemental Alcohol Safety Incentive Grants to the States for programs to reduce the drunk driving problem. Describe for the Committee the several characteristics of those criteria.

Response: The principal characteristics of the basic grant criteria are that they are directed toward increasing general deterrence through increased enforcement and public information related to this increased effort. The requirement of certain and swift sanctions compliment the general deterrence concept. While some of supplemental criteria have similar characteristics of the basic criteria other characteristics relate to implementation of comprehensive community support, methods of getting comprehensive programs implemented, system support and long term education/intervention and education.

All of these characteristics are essential to a successful program. Section 408 funds provide the incentive to move in the right direction.

HIGHWAY DEATHS

Senator Chiles: Traffic fatalities in the United States have dropped from 49,293 in 1981 to an estimated 44,243 in 1982 and with this 10% decline traffic fatalities are at their lowest level in 19 years. This trend is true in spite of the fact that vehicle miles have risen in recent years. Only anecdotal evidence exists to indicate that alcohol enforcement programs have had any real effect to date.

What specifically is the cause of the decrease in highway deaths? As the mix of small cars has increased clearly, one might have imagined that the fatality trend would have increased.

Response: We do not know with certainty, since there is no data to be collected on accidents which do not occur. No major new technology was introduced during this period, however, virtually all of the reduction must be attributed to behavioral changes in the way people drive, including restraint usage, the types of trips taken, and the driving population itself. The historical correlation between traffic fatalities and economic conditions remained true in 1982. But this link gives little insight into how economic changes produce fatality changes, especially since estimated travel miles increased in 1982.

We do know that some local alcohol programs enjoyed considerable success and can establish that four States with both good traffic records systems and strong alcohol programs - Idaho, Maryland, Nebraska, and Oklahoma had significant decreases in alcohol related fatalities. Driver attitudes and travel patterns are changing, but we have no solid evidence. Small car occupant fatalities did increase slightly, but so did the proportion of small cars in the vehicle fleet. We shall study the 1982 fatality decrease more closely in the coming year to seek answers to these questions.

PASSIVE RESTRAINT SEAT BELTS

Senator Chiles: Last summer the United States Court of Appeals ruled that the Department's decision to terminate the Agency's passive restraint seat belt regulation was "arbitrary and unlawful." Some cars on the highway today are equipped with passive restraint seat belts and NHTSA has informed the committee that data does exist on the comparative use rate of seat belts and accident data on cars both with and without passive restraint seat belts.

What are the comparative rates of usage? What are the comparative fatality data between cars with passive restraint seat belts and those without?

Response: The passive restraint system option has been available on several makes and models of cars in recent years. However, only the VW Rabbit, with its automatic shoulder belt/knee bolster system, has experienced sufficient exposure to provide a valid comparison of usage and fatality rates between passive and active restraint-equipped cars.

Available VW Rabbit restraint usage rate estimates are: (1) based on observation of on-the-road drivers, and (2) based on information provided in police accident reports.

(1) Driver usage was observed in 19 U.S. cities for the 24 month period November 1980-October 1982. The usage observed was:

Restraint	Number of Drivers Observed	Percent of Drivers Restrained
Passive	403	82
Active	901	28

(2) Police-reported usage from accident data in four states was:

State	Accident Years	Restraint	Number of Front Seat Occupants	Percent Restrained
NY	1975-81	Passive	2021	54
		Active	6078	26
NC	1975-81	Passive	1095	46
		Active	2622	16
MD	1975-80	Passive	777	70
		Active	2115	39
CO	1975-79	Passive	397	52
		Active	1207	27

Another accident data source of restraint use is the Fatal Accident Reporting System (FARS), NHTSA's census of the nation's traffic fatalities. This again is police-reported usage, which in fatal accidents has a relatively large proportion (about 20%) of Rabbit occupants for whom restraint use or non-use is unknown. For 1979-80, the reported usage in Rabbits having a front-seat fatality was:

Passive	31%
Active	6%

The FARS accident file and VW Rabbit sales data are used to calculate fatality rates for passive and active restraint-equipped Rabbits. The results for accident years 1975-81 are:

Restraint	Number of Fatalities	Millions of Months On-The-Road	Fatalities Per Million Months
Passive	206	12.36	16.7
Active	590	29.29	20.1

Senator Chiles: As these cars have better safety records, why does NHTSA continue to oppose their requirement?

Response: The automatic occupant protection requirements of FMVSS 208 were rescinded because there would not have been any significant increase in safety with their promulgation, thus failing to "meet the need for motor vehicle safety," a statutory criterion. This conclusion was reached because compliance with the requirements would have been met not through the use of such systems as the VW Rabbit's but, through the use of detachable, automatic safety belts. These belts would have been equipped with emergency release buttons in similar positions as the buckle release mechanisms on current manual belts and, once disconnected, would have had usage rates equivalent to those of manual belts. Since manual and automatic belts are equally effective when used, benefits would only accrue if automatic belts had higher usage rates and there was no assurance that this would be the case.

Although VW Rabbits with automatic belts have high usage rates, these data are not relevant nor applicable to the entire fleet of cars for the following reasons:

Without major increases in usage, imposing the nearly $10 billion annual cost of the actual new system to be used (roughly $85 per car) would, in the Agency's view, have caused the standard also not to meet the additional necessary criteria of being "reasonable," "practicable," and "appropriate."

(1) Rabbits have starter interlock systems (the car cannot be started unless the belt is attached). This fact alone accounts for nearly all the difference between Rabbits equipped with manual and automatic belts.

(2) The belts were voluntarily purchased and in such a situation usage would be expected to be higher than if consumers were forced to purchase them.

(3) Subcompacts (of which the Rabbit is one) generally have higher belt usage than larger size cars.

(4) Although the belts were detachable, the emergency release button is not as accessible as would have been the case with other cars.

NHTSA'S SEAT BELT PROGRAM

The national safety belt usage rate has steadily declined from 25% in 1974 to 11% in 1981. The agency has argued that the new program is significantly superior to past programs and is designed to reach out to all groups with "persuasive information" on the risk of riding in cars without seat belts.

Senator Chiles: What is the goal of the program with regard to specific rates of seat belt usage and when will this level be reached?

Response: The NHTSA program to increase safety belt and child safety seat usage is significantly superior with respect to past programs. It consists of several facets such as efforts to reach corporations, governments, and volunteer and service groups in addition to the mass media programs which have been sole components of most past efforts. Many other groups are being solicited to aid the agency in this effort. Most behavioral and communications experts agree that this approach is the only approach likely to succeed. That, however, does not guarantee its success. The most important variable in determining the success of the program will be the extent to which the various organizational networks, States, and communities engage themselves in the effort. NHTSA's objective is to increase that involvement to the maximum extent possible.

However, the extent of involvement at the local level is not totally under the control of the Federal government, just as it was not at the inception of the smoking or high blood pressure countermeasure programs. Therefore, we have hesitated to predict exactly when a particular safety belt usage goal would be reached. Many changes in awareness, knowledge, and attitudes must take place first. The results of foreign experiences would indicate that a usage rate in the 20-30 percent range is certainly feasible. It also seems that to the extent that any State engages itself extensively in this effort, such a rate could be achieved within approximately 3 years. If most of the States are actively engaged in the program, a national usage rate of 25 percent is achievable in that period of time. That is our goal.

Senator Chiles: What will the continuing annual costs be to maintain the desired level of seat belt use?

Response: At this point, we anticipate that the out-year Section 403 program costs, as justified in the President's 1984 Budget, should not exceed $2.635 million ($1.440 million for program costs and $1.195 million for research and development) per year. Section 402 costs (for all highway safety programs) are expected to remain at the $77 million level in the future. The proportion directed to safety belts and child safety seats is expected to reach $5.0 million in FY 1983 with a gradual increase in future years.

Senator Chiles: How successful has the program been with Federal workers? Has the usage rate increased? Please supply data to indicate any changes in the trend of seat belt usage among Federal workers.

Response: The program with Federal workers is moving ahead aggressively. Here are some highlights:

- Required belt use is now agency policy for the Air Force, Marine Corps., GSA, Department of Labor, Coast Guard, and NHTSA. A required use policy was also just enacted by the Public Health Service.

- On a government-wide basis, a memorandum was issued by the GSA to agency heads in April 1982, reaffirming the benefits of safety belt use and suggesting that each agency must issue an order requiring belt use by employees while on official business.

- A government-wide workshop for departmental and agency safety managers will take place in mid-March which will be followed by a series of workshops conducted among the Federal Safety and Health Field Councils. The Federal Advisory Committee on Occupational Safety and Health has unanimously endorsed the program and the Secretaries of Labor and Transportation have jointly urged other departmental and agency heads to join the program.

- Within the Department of Transportation (DOT) headquarters itself, a model program has been developed and is already being implemented which incorporates both aspects. More than two-thirds of the Department's personnel have been exposed to the education program to date. The incentive program, which supplements the usage policy and is based upon successful private sector examples, is about to begin. DOT belt usage rates have nearly doubled as a result of the education program (i.e., increased from 23 to 43 percent). DOT neighboring agencies have been surveyed as part of the DOT program implementation. Safety belt usage rates at the Department of Housing and Urban Development (headquarters) has stayed essentially the same at about 15 percent from December 1982 to March 1983. The rates at the National Aeronautics and Space Administration increased from 18 percent to 25 percent during the same period. We are not aware of usage rates or trends among other Federal workers in the Washington area. The Department of Defense required use policy has received varying levels of enforcement among the military installations. Where there is strict enforcement, the usage rate is quite high.

  This model program will be used to show other departments and agencies how they can increase employee usage rates during off-duty as well as on-duty driving situations.

- A number of other departments are also moving ahead with education programs of their own, assisted by NHTSA. Included are the Department of Defense, Department of Health and Human Services, Department of Agriculture, the and the General Services Administration.

NATIONAL DRIVER REGISTER PROGRAM

Senator Chiles: Last year the National Driver Register program was funded $1,000,000. The Committee has heard a great deal in support of this program from State highway officials. For fiscal year 1984 the Department proposes to spend $2.2 million for the program. What is the status of the necessary efforts to make this program more effective?

Response: Title II of Public Law 97-364 requires the establishment of a National Driver Register which will allow States to exchange motor vehicle driver records electronically. It also requires that this system be tested on a pilot basis in four States before extending it to all States. Presently contractor proposals for the system design are being evaluated, and we expect an award in April of this year. Our plans call for the completion of the design work late next year so that we can have the telecommunications network set up by the spring of 1985 when the four-State pilot program will begin. A report presenting the results of the pilot program and recommendations regarding its future expansion will be submitted to Congress by October 1986.

UNIFORM TIRE QUALITY GRADING SYSTEM

Senator Chiles: The National Traffic and Motor Vehicle Safety Act of 1966 directed NHTSA to establish a rating system for new tires. The Uniform Tire Quality Grading System developed pursuant to the act provided test procedures for determining tread wear, traction, and temperature resistance. That system was to help consumers choose safe, economical tires by demonstrating that tires that offer essentially the same level of performance may vary greatly in price. On February 2, 1983, NHTSA suspended the requirement that manufacturers test their products and assign tread-wear ratings "to avoid dissemination of potentially misleading informating on the expected tread life of passenger car tires."

What evidence does NHTSA have that indicates that in the absence of this information the consumer isn't much more likely to make a poorly informed decision about comparative values of tires?

Response: We cannot reliably tell whether a higher graded tire will wear better than a lower graded tire. More importantly, we have determined that repeated testing produces changes even in the rank order of resulting tire grades. If treadwear grades do not reflect at least the relative order of performance of tires, the standard is not only failing in its primary purpose to inform customers; it is, in fact, misleading some of them.

UNIFORM TIRE QUALITY GRADING SYSTEM

Senator Chiles: When will NHTSA reinstate a new tread wear rating system?

Response: NHTSA is conducting research to determine if the extent of the variability in treadwear test results can be reduced to acceptable levels. This research should be completed in the fall, and the agency will then determine whether the suspension of treadwear grading should be lifted.

FUEL ECONOMY

Senator Chiles: Is it correct that NHTSA does not plan to enforce the fuel economy standards?

Response: No, the agency will carry out all the responsibilities delegated to it under Title V of the Motor Vehicle Information and Cost Savings Act.

Senator Chiles: Are the reasons for establishing the 1975 fuel economy standards still relevant and applicable to the automotive fleet?

Response: Congress enacted the fuel economy standards law because it believed that "the necessity for insuring major improvements in automobile fuel economy is so clear that (a) legally enforceable requirement respecting improvements of fuel economy must be imposed." (House Report 94-340, July 9, 1975.) Despite current market and economic conditions, manufacturers are continuing to increase fuel efficiency as they redesign their vehicles to smaller, lighter configurations. If a continued sufficient market demand for such vehicles exists, the necessity for legally enforceable standards more stringent than those already established could be diminished. In any event, the agency's responsibility under the federal law will be fully complied with.

Senator Chiles: Has NHTSA given any consideration to revising the average fuel economy standards for automobiles?

Response: We are currently evaluating all of our options with respect to automobile fuel economy standards. These range from: 1) making no changes and relying on the existing mechanism of carrying back and carrying forward penalties and credits; to 2) reducing standards for the next few years until we can determine if changes in fuel prices and economic conditions will strengthen demand for more fuel efficient vehicles. No decisions have been made.

Senator Chiles: What is NHTSA doing to encourage manufacturers to produce automobiles that meet the average fuel economy standards?

Response: NHTSA is following closely the efforts of all manufacturers to meet fuel economy standards. Furthermore, we intend to carry out all the responsibilities mandated under Title V of the Motor Vehicle Information and Cost Savings Act and delegated to the agency. No other options are known to exist at this time.

Senator Chiles: Does NHTSA anticipate that fuel economy standards will become a major issue requiring greater concern on the part of the Safety Administration?

Response: Fuel economy standards are already a major issue for the agency. Penalties for missing fuel economy standards may cost major manufacturers and consumers many millions of dollars at a time when large capital investments to improve their competitive positions are still required. Additionally the light truck standards we are now developing for 1986 and 1987 will affect one of their most profitable products. NHTSA recognizes that our actions in these areas can have a significant impact on the auto industry and the U.S. economy.

NATIONAL MAXIMUM SPEED LIMIT (55 MPH)

Senator Chiles: On January 2, 1974, the Congress enacted the Highway Energy Conservation Act which established the 55 mph national maximum speed limit as a temporary measure to help ease the nation's dependence on foreign oil. The 55 mph speed limit resulted in immediate reductions in (1) highway motor fuel consumption and (2) traffic fatalities. In 1974 the 55 mph speed limit was credited with decreasing fuel consumption by as much as 126,000 barrels per day and fatalities by as many as 4,300 for the year.

Consequently, on January 4, 1975, the Federal-Aid Highway Amendments of 1974 made the 55 mph speed limit permanent. The law requires that the Governor of each State certify to the Secretary of Transportation before January 1 of each year that the State has established and enforced a maximum speed limit of 55 mph on the public highways within its jurisdiction.

Were any States penalized by the Department of Transportation's reducing their apportionments of Federal-aid highway funds for Fiscal Year 1983? What were these States and how much were the penalized?

Response: To date, no State has been penalized by the Department of Transportation. However, for FY 1982, the latest full reporting year, the certifications submitted by the States of Nevada and Massachusetts do not appear to conform with the certification requirements established by law and DOT regulations.

Accordingly, in joint letters (dated March 7, 1983), copies of which are attached, NHTSA and FHWA Administrators notified the governors of Nevada and Massachusetts of a proposed determination of non-conformity and the proposed reduction in certain Federal-aid highway funds. To date, only Nevada has requested the informal meeting afforded non-conforming States by DOT regulations.

If non-conformance is confirmed, and the full 5 percent penalty were to be applied, the estimated Federal-aid highway funds to be withheld would be $3,550,000 for Massachusetts and $1,511,000 for Nevada.

Senator Chiles: What does the latest information provided to the Federal Highway Administration indicate with respect to the various States' compliance with the 55 mph speed limit? (In how many States were more than 50% of the motorists exceeding the 55 mph speed limit?)

Response: The latest available information regarding State compliance with the 55 mph speed limit is the data submitted by each State with their FY 1982 certifications. As indicated in the attached listing, all States except Nevada and Massachusetts satisfy the mandatory 50% compliance criteria established by law.

Senator Chiles: Is consideration being given by the Federal Highway Administration to granting States exceptions to the requirements that a certain percentage of their motorists comply with the 55 mph speed limit?

Response: None. The applicable 55 mph statutes (Surface Transportation Assistance Act of 1978 and the Omnibus Budget Reconciliation Act of 1981) do not permit the Federal Highway Administration to grant States exemption from the requirement that at least 50 percent of monitored motor vehicles must comply with the 55 mph speed limit. The only discretion permitted under the law is the precise amount of the penalty which must be assessed by the Secretary of Transportation for failure to meet the 50 percent criteria (i.e., the withholding of up to five percent of certain Federal-aid highway funds for FY 1983, and up to 10% for FY 1984 and beyond).

NHTSA'S NEW CAR ASSESSMENT PROGRAM

Senator Chiles: In 1979, NHTSA initiated its New Car Assessment Program. This program is authorized under Title II of the Motor Vehicle Information and Cost Savings Act. The act requires NHTSA to develop and publish comparative ratings for cars by make and model in three categories, namely, crashworthiness, damageability, and ease of diagnosis and repair. In addition, the act mandated a bumper standard to minimize the costs of low speed collisions.

What is the status of the Crashworthiness Program? Describe in detail what tests have been completed and when information on such tests was made available to consumers. Describe the process and/or system for making such information available to consumers. Describe how consumers can compare different model vehicles for crashworthiness, damageability, and ease of diagnosis and repair. In May 1982, NHTSA announced the rollback of the bumper standard from 5 mph to 2.5 mph. Does NHTSA plan to monitor the cost/benefit impact of this decision?

Response: The testing of 24 vehicles for the 1982 New Car Assessment Program (NCAP) has been completed and all test results have been released. The 1983 program test plan, which includes 30 vehicles, has been finalized, and two tests have already been conducted. Press releases on the 1983 results will be prepared after several vehicles tests have been completed, and all 1983 test results are scheduled for release by summer 1983. Attached is a list of the 1982 test results and a list of the 1983 vehicles to be tested is attached.

Detailed information on all of the New Car Assessment Program tests that have been conducted since 1979 is attached to the answer to Senator Andrews' questions on the New Car Assessment Program.

This information has been made available to the public by release to the news media, placement into the agency's docket section, publication of the results in a booklet format and distribution of results in response to requests to the agency's telephone Hotline and to written requests.

Press releases were made on the following dates:

October 1979
February 1980
August 1980
December 1980
September 1981
February 1982
November 1982
January 1983
March 1983

Actual releases of test data to the media and interested parties were made as test results were received. In several cases under the Freedom of Information Act results were released even before agency review and validation had taken place. In February 1982 the agency expanded the capability of the telephone Hotline to include the distribution of crashworthiness information as well as safety related defects and recalls. The agency believes this is a superior approach in providing safety information to the public.

The agency maintains a public docket for all New Car Assessment Program test reports and films. Individuals can purchase any final report or crash test film by contacting the public docket and requesting a copy.

There are four ways the National Highway Traffic Safety Administration (NHTSA) makes crash test information available to the public. The first is by providing the results of the tests to the news media via press releases. Once a car has been crashed, the contractor provides this agency with a final report, a 16 mm film of the crash event, and a data tape. Agency engineers analyze the three items for conformance with the test procedures and determine whether to validate the test as conducted, validate the test with reservations, or invalidate the test (or portions thereof). After the engineers complete their determination, the information is forwarded to the Office of Public and Consumer Affairs (OPCA) and released to the news media via a press release.

The second way the agency disseminates crash test information is in response to specific requests from consumers. A consumer may telephone or write for the information. Telephone requests for the results on a specific vehicle are answered over the phone. Calls for more comprehensive results and all letters are answered by mailing the complete results to the consumer. Telephone calls may come to the Rulemaking Office or the Hotline. Crash test information is made available on the Hotline as soon as the agency has validated it. When cars have been tested but results are not in, consumers are told results are pending. If cars are scheduled for test, this also is disclosed.

Third, the agency keeps a copy of all final reports and crash test films in the docket room, where they can be perused by the public during office hours.

Finally, any consumer can purchase a copy of any final report or crash test film by calling the docket room and requesting a copy.

The long term objective of the agency is to increase consumer awareness of the safety and performance differences among various passenger vehicle makes and models. Such awareness could foster competition among manufacturers to produce cars which are safer, more resistant to damage, and less costly to service and repair.

In the crashworthiness area, the agency is currently crash testing passenger motor vehicles frontally at 35 mph into rigid barriers. Instrumented test dummies, wearing the lap and shoulder belts, are placed in the vehicle, and the responses of the head, chest, and femurs (thigh bones) are monitored during the crash event. These responses are published by the agency for each make and model tested. This information allows consumers to compare the crashworthiness performance of various vehicles in these tests.

SUBCOMMITTEE RECESS

The committee will stand in recess until next Tuesday at 10 a.m. when we hear the National Highway Transportation Safety Board.

[Whereupon, at 11:17 a.m., Thursday, February 24, the subcommittee was recessed, to reconvene at 10:10 a.m. Tuesday, March 1.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 1, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

NATIONAL TRANSPORTATION SAFETY BOARD

STATEMENT OF JIM BURNETT, CHAIRMAN

ACCOMPANIED BY:
PETER KISSINGER, MANAGING DIRECTOR
JAMES DANAHER, DIRECTOR, BUREAU OF TECHNOLOGY

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The committee will come to order.

This morning we will hear from the National Transportation Safety Board. We have the privilege of listening to Jim Burnett, their chairman.

Mr. Burnett, let me assure you that your statement will be included in full as though you read every great and meaningful word. You may summarize it or present it, whichever way you want, so that we can get to questions. We are glad to have you here.

Mr. BURNETT. Thank you, Mr. Chairman.

I am pleased to appear before you to present the Safety Board's budget request for fiscal year 1984.

Before I begin, I would like to introduce the members of my staff who are at the table. To my right is Mr. Peter Kissinger, who is the Board's managing director. To my left is Mr. James Danaher, who is Director of the Bureau of Technology.

Mr. Chairman, I also have with me all of our Bureau directors in the row behind, and I may call on them to answer any questions that might be necessary.

SUPPLEMENTAL APPROPRIATION

First of all, I would like to thank you and this subcommittee for your support of the Safety Board and its programs during budget reductions last year. As a result of your actions in providing a supplemental appropriation, the Board was able to continue ongoing safety investigations and avert furloughs during the final days of fiscal year 1982.

Recognizing the Board's recurring problem of planning for accident investigation costs which, of course, can fluctuate unpredictably, this subcommittee also included a provision which provided the Board with a fund to cover such emergencies in the future.

The Board also received appropriations for fiscal year 1983 which has restored funding to a reasonable level for training, overtime, equipment, and travel, all of which had been virtually eliminated in fiscal year 1982. This restoration of funding has also made it possible for the Board to begin filling needed positions in human factors technology and highway accident investigations.

This has made the difference between the Board's necessitated past course of mortgaging its future and its present course of aggressively promoting transportation and safety.

PROGRESS IN BOARD ACTIVITIES

Mr. Chairman, I would like to review for you very briefly some of the work we have in progress at the Safety Board. On March 15 we have scheduled the consideration of our followup report on the air traffic control system, which updates the report we did shortly after the strike.

We also have upcoming in the next month a report on the Kenner, La., aviation accident which killed 153 people in a crash after takeoff from New Orleans airport. We have recently completed our report on the capsizing of the Ocean Ranger, the oil drilling rig of U.S. registry off the coast of Newfoundland. We have recently sent teams to Brainerd, Minn., to investigate a Convair accident which resulted in a propeller slicing through the cabin of the plane, killing one passenger and amputating the leg of a child. We have sent two teams recently to Sun Valley, Idaho, to investigate accidents involving both general aviation and commuter aircraft.

We have three teams out now investigating marine accidents, including the capsizing of the *Marine Electric* off the Eastern Shore. We recently made an emergency safety recommendation to the city of Pryor, Okla., after we discovered a hazardous condition in the gas pipelines that run into people's homes, creating a risk of explosion. In fact, one explosion killed two and injured three.

This is an example of some of the work the Safety Board has done. I have been very proud to be associated with the Safety Board and the fine men and women on the staff during the last year. We have been successful, I think, in making some improvements in the functioning of the Board and in focusing our accident investigations to obtain a better safety payoff.

ACCIDENT INVESTIGATION

Among the improvements we have made is to focus accident investigation toward issue areas. This has been particularly important in the area of highway safety where the Board only investigates a minuscule fraction of the highway accidents.

CHILD SAFETY SEATS

We are working right now in the area of child safety seats, where we are accumulating a series of 50 investigations, both of children who were in accidents with seats and children who were in accidents without seats, to see how well they work. In fact, we have already initiated some improvements in the factory packaging and instructions for those seats that are in use.

We are doing a better job, I think, of speaking out for safety. It is our philosophy that we really have no payoff to the public from our accident investigations until we get the safety reforms adopted that we initiate through the recommendation process.

We are doing a lot more in the area of safety advocacy. To give you some examples of that, Vice Chairman Patricia Goldman has led our effort to persuade the States to adopt laws requiring the use of child safety seats for children under the age of 5.

There were 31 States at the beginning of our efforts which did not have such laws, and now many legislatures are in various stages of considering some type of child safety seat legislation. The vice chairman has traveled to Dallas and Philadelphia, and shortly is going to St. Louis to hold hearings that focus attention to this problem.

It is possible, if this law is fully adopted across the country and implemented with good enforcement programs, that we can achieve a savings of about 500 lives in young children every year, as well as perhaps 3,500 serious injuries and thousands more of minor or less serious injuries.

DRUNK DRIVING

In the alcohol safety area, one of our major concerns is the problem of alcohol abuse in all forms of transportation. The greatest attention is in the area of highway, but we find the same problem in every mode of transportation.

As an example of the work we are doing, we have made a recommendation to 35 States and the District of Columbia that have a drinking age of lower than 21 that they raise the age. We have very persuasive evidence that there is a relationship between the drinking age and accident rates among young Americans, and raising the drinking age across the United States can be predicted to represent a savings of about 1,200 to 1,250 lives a year.

We have gone to the legislatures of various States to testify in favor of that sort of legislation.

CRASHWORTHINESS IN AVIATION

I have asked Donald Engen, who is a former executive of Piper Aircraft, to lead our effort to achieve greater crashworthiness in aviation. We have long favored improved crashworthiness and cockpit safety in the general aviation area.

We have never been able to get the FAA to do much in this area. Part of the problem, I think, is that we really do not have a constituency demanding that kind of reform. Part of that is because the flying community, the general aviation community, believes that if they have an accident they are going to die and there is no value in crashworthiness.

Our accident investigation indicates that that is not true and, in fact, only about 18 percent of the people involved in general aviation accidents become fatalities. So we are trying now to build a constituency to support greater aviation crashworthiness. We have great hopes that many of the companies will move voluntarily to incorporate a lot of the feasible crashworthiness improvements into their aircraft.

These are some of the examples of the work the Safety Board is doing.

APPROPRIATION REQUEST

I would like to very briefly review for you what we are requesting. For fiscal year 1984, the Board is requesting $19.735 million and 325 positions. This represents a decrease of $235,000 from the fiscal year 1983 funding level and a status quo in allocated positions.

To explain the effects of this decrease, I would first like to describe the Board's recent financial crisis. In fiscal year 1982, the Board received severe midyear budget cuts, the effects of which were multiplied due to the timing of those reductions. We were forced to make substantial reductions in force. In fact, the Board lost a total of 53 permanent employees—those are not just positions, but actually employees that we had on board—and 83 percent of its temporary employees, representing a combined total reduction of 20 percent of the entire Board staff.

When you figure in the cuts we had taken the previous year, it was actually a 27-percent cut off our top level of employment. As I mentioned at the beginning of my statement, Congress restored a good portion of those reductions in fiscal year 1983. The Board is now on a much sounder footing than before.

Since our appropriation was not approved until late December of this fiscal year, however, our ability to restore lost positions has been delayed. We do have that in progress and we are devoting most of those positions to the area of human performance and crashworthiness, where we think the Board has not done as effective a job as could be done in the area of highway safety investigation.

The Board has been able to reinstate programs for training, overtime, travel, and awards and to replace and repair some badly needed equipment. In addition, the OMB has established a new position ceiling formula which now limits positions based on total employment rather than limiting permanent and temporary positions separately. This new flexibility will allow the Board to hire permanent employees in slots previously reserved for temporary employees.

Before I conclude, I would like to point out that the Board has really three products: an objective accident investigation, a probable cause found without fear of favor, and real world safety recommendations designed, when adopted, to achieve the saving of life and property. I know I am not an objective observer, but I believe that the American public gets more than its money's worth for the resources that are committed to the National Transportation Safety Board.

We have accomplished that because of the dedication of our staff members who work very unusual hours, on call almost constantly, and sometimes under some very grim circumstances. We are proud of the work we are doing. We are looking for ways we can do it better. We are never satisfied with the work we are doing, but we are proud of it.

Mr. Chairman, I would be very happy to respond to any questions you have.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Burnett. Your prepared statement will appear in the record at this point.

[The statement follows:]

STATEMENT OF JIM BURNETT

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you to present the Safety Board's budget request for fiscal year 1984.

Before I begin I would like to introduce the members of the Safety Board staff with me at the table. To my right are Mr. Peter Kissinger, the Board's Managing Director, and Mr. Barry Sweedler, Director, Bureau of Safety Programs. To my left are Mr. Thomas Styles, Director, Bureau of Accident Investigation and Mr. James Danaher, Director, Bureau of Technology.

First of all, Mr. Chairman, I would like to thank you and this Subcommittee for your support for the Safety Board and its programs during budget reductions last year. As a result of your actions in providing a supplemental appropriation, the Board was able to continue ongoing safety investigations and avert furloughs during the finals days of fiscal year 1982.

Recognizing the Board's recurring problem of planning for accident investigation costs which, of course, can fluxuate unpredictably, this Subcommittee also included a provision which provided the Board with a fund to cover such emergencies in the future.

The Board also received appropriations for fiscal year 1983 which has restored funding to a reasonable level for training, overtime, awards, equipment and travel — all of which had been virtually eliminated in fiscal year 1982. This restoration of funding has also made it possible for the Board to begin filling needed positions in human factors technology and surface accident investigations. This has made the difference between the Board's necessitated past course of mortgaging its future and its present course of aggressively promoting transportation safety.

Recent Investigation Activities

Let me give the Subcommittee an idea of the Board's workload in the past year.

Just within the last two months, Safety Board go-teams have been sent to investigate the crash of a United Airlines cargo plane in Detroit, a corporate jet in Sun Valley, and a freakish accident that sent a propellor slicing through the passenger compartment of a Republic Airlines Convair attempting a landing at Brainerd, Minnesota. On December 13, 1982, the Board issued its finding of probable cause in the World Airways accident at Boston Logan International Airport where a DC-10 -- loaded with 212 persons -- overran the ice and snow-covered runway and plunged into the waters of Boston Harbor, killing two passengers.

And still earlier, the Board determined the probable cause of Washington's own disaster -- the crash of an Air Florida 737 into the Potomac River, a tragedy that claimed 78 lives.

Pending Reports and Investigations

Within the next several weeks, the Board expects to complete its report on the crash of a Pan American 727 at Kenner, Louisiana, which claimed 153 lives -- making it 1982's worst aviation disaster.

This report will be followed shortly by three special investigation reports. One will deal with large aircraft operations on runways contaminated by ice and snow. Another will center on airport certification and operations at 14 major airports, including Washington National. Specifically, this study will examine airport safety issues ranging from airport design standards to crash-fire-rescue capabilities and bird hazards.

Also due in mid-March is a report on the Board's second look at the safety of the air traffic control system since the strike by the Professional Air Traffic Controllers Organization.

Foreign Investigations

But the safety of Americans at home is not the only concern of the Board. In 1982, for example, the Board sent investigators to aid in a series of accidents in foreign nations, including the crash of a Global International Airways Boeing 707 which had been chartered by newsmen covering President Reagan's visit to Brazil. Across the Atlantic, in Malaga, Spain, the Board provided assistance to the Spanish Government which is investigating the crash of a chartered DC-10 bound for the United States.

Winter Flight Operations

What has come from the Board's investigations -- its special studies and reports? Is aviation any safer? Have changes been made? We feel the answer to this is a resounding "yes."

Let me take one wide ranging problem area -- winter flight operations. In 1982, two of the five major air carrier accidents -- World Airways in Boston and Air Florida in Washington -- involved winter flight operations.

Air Florida Investigation

In the case of Air Florida, the Board's investigation brought to light many issues involving long misunderstood aspects of cold weather operations, and within two weeks of the accident the Board issued ten recommendations designed to correct the problems.

World Airways Investigation

In the World Airways case, the accident produced a similar range of recommendations because the Board said its investigation showed that -- and here I quote from the Board report -- "FAA and industry regulations and practices do not provide adequate guidance to airport mangement regarding the measurement of runway slipperiness; they do not provide flight crews with adequate means to evaluate runway conditions with airplane stopping performance; nor do they provide runway length requirements for each airplane consistent with reduced braking performance on slippery runways."

These two "packages" of recommendations, I believe, will make winter flying operations safer. In fact, if they had been in effect at the time of the Air Florida accident and the World accident -- neither may have happened.

Investigative Procedures

Let me say a word here about a change in the Board's investigative procedures, which are the foundation for its safety recommendations. With less resources, we have to be more selective -- that is we are searching more intensely for accidents which will provide an across-the-board payoff in safety. As a result, the Board has developed a new criteria under which our response will depend on these factors:

-- The need for independent investigative oversight of certain specified areas in order to assure public confidence in the transportation system; and

-- the need to concentrate on the most significant and life-threatening safety issues.

Safety Benefits

In addition to the reevaluating of its accident investigation procedures, the Board is taking the same approach to its other programs -- including hazardous materials, safety recommendations, federal rulemaking proposals, and safety studies -- in hopes that adjusting priorities will produce increased safety benefits.

Let me cite here just two areas where we hope to secure these increased safety benefits. One is general aviation crashworthiness. The other is the long-neglected area of the "human factor."

Aviation Crashworthiness

In the case of crashworthiness, the Board's investigative efforts have succeeded in convincing the Federal Aviation Administration to reexamine its philosophy on crash survivability. As part of this reexamination, the FAA has initiated an extensive research program at its Technical Center in Atlantic City, New Jersey. The Agency also has initiated a formal regulatory analysis of shoulder harness requirements in general aviation -- the need for which was documented in the Board report on "The Status of General Aviation Crashworthiness."

Finally, the Board is contemplating a two-day public meeting on general aviation crashworthiness later this year which will draw together experts on the subject from both the public and private sector, including the Federal Aviation Administration, the National Aeronautics and Space Administration, and the General Aviation Manufacturers Association.

Human Factors

In the human factors area, which is intermodal, the Board simply must strengthen its expertise if it is to make further cuts in the accident death toll. In rail and highway, for example, the Board needs to know more about the underlying causes of a vehicle operator's failure to perform as expected. We also need to know still more about the more exotic causes of accidents ranging from equipment design to environmental factors.

General Aviation

In general aviation alone, 85 percent of the accidents involve human error in some way. Put another way, this year there will be upwards of 3,500 general aviation accidents -- over 3,000 of these will be determined to have human error.

That is an unacceptable statistic. As a result, the Board is planning to increase its human factors staff by ten, including a medical doctor. Medicine is a critical discipline since both the Board's human performance and crashworthiness programs are highly dependent on medical findings and analysis.

So far in this testimony I have spoken a great deal about aviation accidents which are often the most dramatic and consume 50 percent of the Board's resources. But I want to emphasize again that the Board is making an all-out effort to increase its impact in the other modes -- without lessening its effort in aviation.

Alcohol on the Highways

To give you an example of a Board safety advocacy program, I need go no further than a safety hazard that has become a national scandal — drunken driving. In 1982, 25,000 persons died in alcohol-related accidents -- 5,000 of them teenagers. The injury toll is equally tragic -- 650,000 persons, many of whom were left with injuries of the magnitude of a severed spinal column, or a disfigured face. When you consider that this annual death toll has been holding steady for the last ten years, you realize that what you are talking about is 250,000 lost lives, and injuries in the multi-millions.

Age 21 Issue

At the Safety Board, we are making a concentrated effort to do something about this long-neglected but obvious safety issue. In fact, it has become one of the Board's major priorities. We are convinced that there is a way to cut that toll, and it is relatively simple -- raise the drinking age to 21. In July, 1982, the Board sent a recommendation to the governors of 35 states and the District of Columbia urging them to support the idea. The available data shows a direct correlation between the minimum drinking age and alcohol-related accidents in the 18 to 21 year old age group.

But the Board's action did not stop with the issuance of a single recommendation. I have followed it up with appearances before State Legislatures in New Jersey, which now has increased its drinking age, Virginia, Nebraska and Wyoming. Later this year I hope to bring the Board's view to any willing State Legislature considering an "age 21 bill."

Child Safety Seats

I want to mention here one of the key initiatives undertaken by the Board in still another area of highway safety -- child safety seats for automobiles. The death and needless disfigurement of young children in auto accidents is, like alcohol and driving, a tragedy society has too long neglected. The Board statistics show that more than 1,300 children were killed over the last two years in auto accidents. The injury toll is over 10,000 -- and that includes only those seriously injured or permanently disabled. What makes these statistics even more tragic is the fact that ninety percent of the fatalities and a great majority of the injuries could have been prevented by the proper use of child safety seats.

Recommendations to State Governments

In December, 1982, the Board took the first in a series of actions to do something about this problem -- it issued a recommendation urging the governments of 31 states which now lack laws on child safety seats to enact legislation requiring mandatory use of the seats for infants and children through age four. To add force to this recommendation, which was based on more than 30 Board-investigated accidents involving small children, Vice Chairman Patricia A. Goldman staged public hearings on the issue in Dallas and Philadelphia, and is considering repeating the hearings in other cities around the Nation. The Board's investigations and analyses have convinced it that the child safety seats are a life-saving asset.

But a "law on the books" is not enough. As a result, the Board has issued a second recommendation to the same 31 states to develop a statewide child passenger safety program which would include aggressive enforcement of laws requiring use of child safety seats, and a child seat loan program for use by the public.

Here again, as in alcohol abuse, the Board's recommendations are not only designed to ease the problem, but also to focus national attention on the issue. Once that is achieved, society -- the public and the private sector -- can quickly agree on the needed changes.

Fiscal Year 1984 Appropriations Request

For fiscal year 1984, the Board is requesting $19.735 million and 325 positions. This represents a decrease of $235,000 from the fiscal year 1983 funding level and the status quo in allocated positions.

Past Financial Crisis

To explain the effects of this decrease, I would first like to describe the Board's recent financial crisis. In fiscal year 1982, the Board received severe mid-year budget cuts, the effects of which were multiplied due to the timing of those reductions. We were forced to make substantial reductions in force. In fact, the Board lost a total of 53 permanent employees (not just positions) and 83 percent of its temporary employees, representing a combined total reduction of 20 percent of the entire Board staff. These figures do not include reductions in personnel made in previous years.

Restoration of Funding

As I mentioned in the beginning of my statement, the Congress restored a good portion of those reductions in fiscal year 1983. The Board is now on a much sounder footing than before. Since our appropriation was not approved until late December of this fiscal year, however, our ability to restore lost positions has been delayed.

Expenditures

On the brighter side, the Board has been able to reinstate programs for training, overtime, travel and awards and to replace and repair some badly needed equipment. (See appendix for detailed explanation of Laboratory improvements and needs.)

In addition, the OMB has established a new position ceiling formula which now limits positions based on total employment rather than limiting temporary and permanent positions separately. This new flexibility will allow the Board to hire permanent employees in slots previously reserved for temporary employees.

Future Plans

The Board's general plan to reduce the impact of the fiscal year 1983-1984 budget reduction is to make purchases this year which will offset necessary obligations in fiscal year 1984. This approach will include purchasing previously rented equipment (especially computer equipment) to save on rents next year, purchasing additional word processing equipment to improve productivity of our clerical staff, and expediting the procurement of needed computer software services.

NTSB Purpose

Before I conclude, I would like to add just one thought. In reality, the Safety Board has only three products -- an objective accident investigation, a probable cause given without fear or favor, and real world recommendations designed to prevent recurrence of useless death and injury. But those three products have helped give this Nation the safest transportation system in the world. With your help we plan to keep it that way.

That concludes my prepared remarks -- I'm happy to respond to any questions you might have.

APPENDIX

Laboratory Services

1. Review of 1982

In FY 1982, the Safety Board laboratory performed a total of 195 laboratory analyses (metallurgical examinations, flight recorder and air traffic control (ATC) tape readouts, and aircraft performance studies). There were 102 analyses performed in support of NTSB field investigations, 7 in support of NTSB major investigations, and 26 in support of "special" investigations. Of these, 25 were for foreign governments and 16 were for other U.S. government agencies (FAA, USAF, USN, USMC). The bulk of the lab's work (94%) was in aviation, with the remaining analyses in the rail, highway, pipeline, and marine modes. Examples of accomplishments are as follows:

a. The Air Florida B-737 accident of January 13, 1982 made the largest demands on the laboratory this year. The laboratory supported this investigation and the public hearing with a flight recorder specialist, a cockpit voice recorder specialist, an aircraft performance eineer, and engineering programmer, and two metallurgists (60% of the staff).

   The cockpit voice recorder was a crucial piece of evidence in this investigation, since it not only contained the crew's comments before and during the takeoff, but also crucial engine sounds. Spectrum analysis of these sounds proved that less thrust was being developed than was indicated to the flightcrew on their engine pressure ratio gauges in the cockpit. This was shown to be caused by PT2 engine probe icing. The aircraft performance analysis and the aircraft simulation study also contributed significantly to this investigation by defining the effects of airframe icing related to this accident.

b. Ten days after the Air Florida crash, a World Airways DC-10 went off the end of an icy runway in Boston, Massachusetts. The cockpit section of the airplane broke off and fell into Boston Harbor. Two people were killed. Although our (only) cockpit voice recorder specialist was still working on the earlier accident, he then had to divide his time between the two, yet get both tapes processed as expeditiously as possible. In addition to this effort, the other flight recorder specialist, the other aircraft performance engineer, and the (only) engineering programmer were assigned to the accident.

c. An Air Force C-130 accident at Bald Knob, Arkansas, on May 12, 1982, brought a request for NTSB help in the investigation from the USAF. The lab participated in the team effort by sending one of its two metallurgists. Because of this expertise, the inflight breakup of the aircraft initiated by wing skin fatigue cracking was identified and confirmed.

d. Meanwhile, the other metallurgist had been requested by the State Department to assist the Portuguese Government in its investigation of the crash of a Cessna 421 in which a former Premier of that country was killed.

e. On March 17, 1982, an Air France Airbus Industrie A-300 airplane experienced a massive explosion in the right engine while about 2,500 feet down the runway during takeoff at Sana International Airport on Yemen. The General Electric CF-6-50 engine had disintegrated internally, throwing pieces of metal into the fuselage, fuel cells, and blowing the tires. The aircraft was immediately engulfed in flames and smoke. The flight was aborted and all persons evacuated safely. Two turbine disks, expelled during the explosion, travelled for approximately 1/2 mile and entered the airport refueling building through a wall. A metallurgist from the lab and French accident investigation personnel participated in the investigation, which was held at the GE plant at Evandale, Ohio. The metallurgist later met with French authorities in Paris on this case, having first completed his assistance to the Portuguese. The Safety Board issued four emergency safety recommendations (A-82-34 through 37) on this accident.

f. Using the program which gives the time-history picture of one aircraft involved in a midair collision as seen from the cockpit of the other, i.e., the visibility program, a number of investigations were performed by the lab, among them the collision of an Aero Commander 560 and a Cessna 182 over Livington, New Jersey on November 20, 1982, and the collision of the Bell 206 and the Piper PA-34 near Teterboro, New Jersey, on September 31, 1981. This program was also used in the USAF C-130 accident at Bald Knob, Arkansas, on May 12, 1982 -- not as a device to analyze a midair collision, but to examine what the pilot saw as he attempted to join up with a flying formation of other aircraft.

g. The Brazilian Accident Investigation Commission requested assistance in reading two cockpit voice recorders and two flight data recorders from two separate accidents which occurred within one month of one another. On May 24, 1982, a VASP Boeing 737 broke in half upon landing at Brasilia; on June 8, 1982, a VASP Boeing 727 crashed into a mountain near Fortalez. Brazilian investigators brought the recorders to the NTSB laboratory and they were read out quickly and without problems.

h. The lab Performance Engineering Section processed radar data and did aircraft performance studies for a number of accidents, among them the Learjet 24 accident near Felt, Oklahoma, on October 2, 1981, the Learjet 23 accident near Savannah, Georgia, on May 6, 1982 and the Learjet 24 incident near Fort Myers, Florida on May 12, 1982.

2. Present Projects

The lab is now working with a subcommittee of the Society of Automotive Engineers in their effort to delineate a realistic standard for small, lightweight, and inexpensive crash recorders for multiengine turbine-powered aircraft (non-air carrier variety). This is a government/industry group which is drafting a specification for equipment and, as such, involves continuing negotiations with various factions of the aviation community.

Work also continues with the U.S. military on their efforts to develop a tri-service standard flight data recorder specification.

The lab has taken a leading role in the advancement of technological methods for analyzing aircraft performance from ATC radar tapes. The radar project has thus far produced information on various radars used in the system, their locations and volumes of coverage, and has generated computer programs for processing radar data. The laboratory still has work to do in making these programs more user-friendly and in improving their graphics capabilities (ultimately, a 3-dimensional ground track/altitude plot program and an expanded Vision program), but what does exist at this time is a reasonably comprehensive system for retrieving and processing radar data for improved accident investigation analysis purposes. The development of these techniques has significantly reduced manhours previously expended and allowed higher confidence analyses. Additionally, the Safety Board's field staff have been instructed through issuance of alerts prepared by laboratory staff about the potential for these programs and the methods to be used in field investigation to assure appropriate ATC data retrieval.

3. Staffing

Recently, laboratory staffing problems have been alleviated by our hiring a second person for the CVR lab in January 1983, and a temporary employee to assist the engineering applications programmer in February. In addition, we made an offer to a very well-qualified aircraft performance engineer to fill that vacancy on February 18, 1983.

The DFDR specialist (formerly an aircraft performance engineer) and the engineering applications programmer still must be assigned many detailed and time-consuming aircraft performance tasks (such as radar analyses and the performance analysis of the recent United Airlines DC-8 accident at Detroit, Michigan). This has resulted in the DFDR specialist not being able to complete his pending DFDR cases in as timely a fashion as we would like and has prevented him from devoting time to upgrading our readout station (both in the areas of hardware planning and in directory building) which the new technology recorders now available and those soon to be available require. Similarly, the engineering applications programmer has not been able to spend his time creating the new software that will allow us to efficiently automate the analysis of ATC, crashworthiness, DFDR, CVR, and radar data. We expect some of these problems to disappear, however, with the employment of the new performance engineer.

The Metallurgical Laboratory provides metallurgical failure analysis services in all modes of transportation for both major and field accident cases. Its task is to locate and document origins of metal fatigue and other failures, and test compliance with part specifications. Failures may result from inadequate design strength, excessive loading, or deterioration in strength through fatigue or corrosion.

Metallurgical analysis is a rich source of safety recommendations. The lab either prepares safety recommendations directly or supplies technical expertise and consultant services to other divisions within the Safety Board so that specialists in those divisions can prepare them.

Because the metallurgical backlog is now about 20 cases, it has been difficult, when a major accident occurs, for a metallurgist working on a priority job to delay such work in order to participate in a new investigation when it is decided to send the part to a major manufacturer's facility.

4. Equipment

The Safety Board has recently obtained or has several critically needed pieces of DFDR readout equipment on order. A spectrum analyzer was obtained for the cockpit voice recorder lab, which enables our technical specialists to perform engine-speed analyses on the sounds from CVR tapes; this, in turn, determines engine thrust, a very valuable parameter in accident investigation work. Also purchased was readout hardware for certain new models of digital flight data recorders (DFDR). These recorders have been recently installed on some airplanes formerly carrying obsolete foil-type flight data recorders (DFR).

Remaining laboratory equipment needs, which we are hopeful of being able to fill this fiscal year, include the following:

a. The FDR reader for the foil-type (5-parameter) crash recorder is in need of repair and complete refurbishing. It is 20 years old. Foil recorders are now carried aboard 2,000 U.S. air carrier aircraft, and an NTSB readout capability is essential to the Board's mission of determining probable cause of air carrier accidents.

b. The lab needs an azimuth/elevation adjustable-head tape playback unit for reading misaligned tapes.

c. A Fairchild digital FDR reader is needed for one of the new types of digital crash recorders currently being marketed as a "foil replacement recorder." This recorder is now flying on Part 121 aircraft.

BIOGRAPHICAL SKETCHES

JIM BURNETT
Chairman
National Transportation Safety Board

Mr. Jim Burnett was appointed to the National Transportation Safety Board in December 1981.

Burnett is a former Special Associate Justice of the Arkansas Supreme Court and has served as a Juvenile Judge for Van Burne County and as a Municipal Judge for Clinton, Arkansas. He had been a self-employed attorney since his 1973 graduation from the Univesity of Arkansas Law School, where he was elected to Phi Beta Kappa, until his nomination to the Board. Mr. Burnett has held a number of civic and political posts and at the time of his nomination was general counsel to the Arkansas Republican State Committee.

J. Peter Kissinger, Managing Director, ES-6

b. 1947; MS, Operations Research 1975, BS, Engineering 1969; 1969 - 1977: Commissioned Officer, United States Coast Guard; 1977 - 1979: Transportation Safety Specialist, National Transportation Safety Board; 1979 - 1981: Special Assistant to Member Patricia A. Goldman, National Transportation Safety Board; present: Managing Director, National Transportation Safety Board.

Barry M. Sweedler, Director, Bureau of Safety Programs, ES-5

b. 1937; BS, Mechanical Engineering, College of the City of New York, 1960, MBA City University of New York 1966, Professional Engineering License, New York; 1960 - 1969: New York State Public Service Commission; 1969 - present: National Transportation Safety Board

Thomas Styles, Director, Bureau of Accident Investigation, ES-5

b. 1923; BS, Virginia Polytechnic Institute, 1949; 17 years railroad experience in track engineering, track maintenance, operations and executive management; 18 months as transportation engineer with consulting engineer; 1967 - present: National Transportation Safety Board.

James W. Danaher, Director, Bureau of Technology, ES-5

b. 1929; BS, Economics, Villanova Uniersity, MA, Experimental Psychology, Ohio State University; 4 years active Navy, 20 years Naval Air Reserve; 1958 - 1970: Matrix Research Company; October 1970 - present: National Transportation Safety Board.

Herbert W. R. Banks, Chief, Field Investigation Division, Bureau of Accident Investigation, GM-15

b. 1929; Business Administration, West Virginia State College, 1947; Senior Executive Program Harvard University, 1981; Commissioned Officer, U.S. Army (Pilot), 1947 - 1968; Aeronautical Inspector, State of New Jersey, 1969 - 1971; National Transportation Safety Board, 1971 - present.

SAFETY ADVOCACY

Senator ANDREWS. Mr. Chairman, your enabling legislation gives your board no sanctions to use when an addressee does not respond to a safety recommendation. Your only real enforcement capability is that of focusing public attention on safety problems. As the investigators and the ones responsible for recommendations, it would seem to be a natural for you to get more active in safety advocacy.

What is the proper role of your group in safety advocacy, and what current efforts are you making?

Mr. BURNETT. I have reviewed some of the things we are doing. I think safety advocacy is very much a part of our business. There are some who say that we have to be careful in the advocacy role that we do not destroy our credibility, but the goal of accident investigation is to achieve safety reform from the cause of the accident.

If the Board cannot carry on and get our reforms implemented, we have in fact not achieved what the public deserves. So I think it is very much the responsibility of us to do safety advocacy.

RESPONSE TO RECOMMENDATIONS

Senator ANDREWS. That is fine, but does it make sense that other Federal agencies and State and local governments, private agencies, universities, and others have no requirement to even respond to your recommendation?

Mr. BURNETT. Some government agencies do.

Senator ANDREWS. The Transportation Department does, but with the exception of the Transportation Department, you might just as well be spitting in the wind.

Mr. BURNETT. I think very often we do. Sometimes I think the Transportation Department, which is required to respond to our recommendations, gives us the least cooperation in the implementation of them.

Senator ANDREWS. Maybe they know you best. [Laughter.]

In your opinion, then, should legislation be enacted to require some sort of written response to your recommendations even though in some instances the addressee may not be able to or see fit to respond with actions?

Mr. BURNETT. I think it should certainly be required of other governmental agencies other than the Department of Transportation.

Senator ANDREWS. Do you perceive a problem with the public's understanding and awareness of your Board's role, capability, and process of accident investigations?

Mr. BURNETT. Oh, yes, that is one of our major problems because we are a small agency. As agencies go, we are relatively obscure. I think, in fact, we have made quite a bit of progress, although I could not offer any objective evidence for it in the last year, in helping build a greater public visibility for the Board, because I think public visibility insures cooperation for us in our accident investigation process, and it also achieves a greater force for our recommendations.

We have been highly visible in the aviation area in the limited aviation community. But we do have a broader mandate than in aviation, and in other areas we have not nearly been as visible.

VALUE OF PRESS RELATIONS

Senator ANDREWS. You have been highly visible because of three tragic crashes, Mr. Chairman. Do you put together a press package? Or if you do not, would this be of value in major accidents to give the media a public understanding of what the Board is and how it works?

It would seem to me there is a lot of confusion as to how you cannot issue a statement as to what happens soon, and no one really understands what you are doing. You are called in, your Board members make—well, sometimes great and sometimes less than great appearances on television talking about what you are looking for and all that, but no one seems to know where your responsibility comes down.

Mr. BURNETT. I think we have a very effective press program to do that very thing on major accidents. In fact, we send public information officers to all of those. We brief the press. That is the first thing we do. All of them start talking about our function and how we carry out an investigation. Frequently, in the early hours when the press wants the news, that is the only thing we have to talk about, so we do talk about it and we do have materials prepared to assist the press in understanding our function.

Nevertheless, there is nothing else quite comparable to the Safety Board. It is sometimes hard for people to grasp how we function.

ENCOURAGE USE OF RECORDERS

Senator ANDREWS. As I understand, three recent and fatal Learjet accidents involving uncontrolled descents from high cruise altitudes highlight the problem of investigating and finding the cause of aircraft accidents where voice recorders are not used and new all-digital cockpit avionics preclude the usual cruise switch position.

In a crash, you cannot tell very well what has gone on when the needle does not hinge on the dial there like it used to. I suppose in more sophisticated air carrier systems they are not suitable for lightweight aircraft, but what are you doing to encourage the use of recorders such as this in this kind of aircraft so that accident causes can be identified and corrected?

Mr. BURNETT. We made recommendations to the FAA following one of those Learjet crashes, and also following the Pan Am accident in Louisiana, for improved cockpit voice recorder and flight data recorder technology.

Senator ANDREWS. Are these private jets?

Mr. BURNETT. Yes; following the Learjet accident we asked for that, and we have even gone so far as to recommend directly to the manufacturers of those jets that they include them in the planes they manufacture.

Senator ANDREWS. Have you worked with any group of engineers to develop standards for smaller, lightweight, less expensive recorders that could fit in this kind of private aircraft?

Mr. Burnett. We have asked the FAA to do so, and in fact we have set forth in our recommendations to the FAA the basic standards or given them a very good start toward drafting a document that will specify these. In fact, our standards have been adopted by the International Civil Aviation Organization as the standards for the world.

Senator Andrews. That is fine, but you have asked another group to do it. Why do you not ask directly of the group of engineers to try to put something like this together?

Mr. Burnett. We have no authority to mandate any of those.

Senator Andrews. I know you have no authority to mandate, but as I pointed out earlier, you have to do it through public opinion. But I pay particular attention to what your organization does, and I have not heard anything about a recommendation from you to any group of engineers to develop this lightweight thing. I have not heard of any recommendation to have these private jets prewired to fit something in.

I have not heard any recommendation from you to the IRS to draft some type of special tax writeoff because it is in the interest not of the pilot that impinges his passengers in a fatal crash, but in the interest of the general public that we find this out. I have heard no recommendation that you have made that some special tax writeoff be given to the purchase of these kinds of lightweight recorders in private aviation. I have been wondering why not.

Mr. Burnett. We have, in fact, done all of those things but the recommendation to the IRS for the tax writeoff. I certainly think that is a good idea. We will see what we can do with it.

Senator Andrews. If you do not get them on a tax deal, you will not get them put in place.

Mr. Burnett. Dr. Carol Roberts, who is head of our lab and is in charge of the process of analyzing flight data recorders and cockpit voice recorders, is on several committees both of the Society for Automotive Engineers which is working on this and the International Civil Aviation Organization, which is working on standards that will go far beyond the standards we have in the United States and adopt what we are seeking to recommend.

We have some concerns that the official U.S. position on that may not be in accordance with our recommendation because the FAA has not seen fit to adopt our recommendation, but let me stress, Senator, that we have had some movement in this area within the last few months. The first response we got from the Administrator was negative to our recommendation.

. Later on he sent us a letter saying that he thought some of the things we were suggesting might be in the public interest and that they were reevaluating them. So we are hoping that the FAA maintains an open mind.

We think the only thing, really, that is holding back implementation of our recommendation is a lack of a market, and that the market can be created if there is a requirement for the use of it.

Senator Andrews. The market is going to be stimulated when you get some type of a tax deal and make it a public service thing.

AIR CARRIER SAFETY

But let's move over to the air carriers in our limited time because there is a vote on. The impressive safety record that was established by U.S. air carriers during 1980 and 1981 came to an end last year when we had the Air Florida crash in January, the World Airways DC-10 ran off a slippery runway and into the harbor in Boston, and then in July the Pan Am plane crashed into a residential area after takeoff from Kenner, La.

All three of these accidents involved issues which had been identified during previous accidents: winter operations necessitating deicing, slippery runways, operations in the vicinity of thunderstorms, wind shear conditions, microbursts, along with related detection and reporting issues.

In the aftermath of these accidents and resultant actions, do you believe that air carrier maintenance personnel have in fact been given adequate guidance since the accident regarding the most effective methods of deicing airplanes and that the flightcrews have a better appreciation of the anti-icer protection or lack thereof of deicer solution?

Mr. BURNETT. I think that they have been given better information.

Senator ANDREWS. Can you provide for this subcommittee in the record the instances of that better information, the changes that have been made?

Mr. BURNETT. Yes.

[The information follows:]

ISSUANCE OF ADVISORY CIRCULAR 20-117

In 1980, as a result of two accidents attributed to ice contamination of airplane wings, the Safety Board recommended that the Federal Aviation Administration (FAA) conduct research and provide guidance to operators and pilots about the use of deicing/anti-icing solutions and the anti-icing protection or limitations thereof. It was not until after the Air Florida accident, however, that the FAA placed emphasis on such a program. In December 1982, the FAA concluded the program with the issuance of an Advisory Circular (AC) 20-117 entitled "Hazards Following Ground Deicing and Ground Operations in Conditions Conducive to Aircraft Icing." This AC provides comprehensive information about the hazards of icing and the properties and characteristics of aircraft deicing fluids. Included in the AC are discussions of methods to estimate the protection that can be expected under certain conditions. Specificity is avoided because of the many undefinable variables involved.

In addition to that AC, the FAA issued a collection of pertinent subject matter under a single cover entitled "Winter Operations Guidance for Air Carriers." This was distributed to operators.

The airplane manufacturers have also contributed to the dissemination of excellent guidance on the subject. Both the Boeing Co. and the Douglas Co. have prepared data distributed through their field organizations.

PROBLEMS WITH BOEING 737

Senator ANDREWS. Also, the Safety Board's report identified several instances wherein pilots experienced a pitchup after taking off in icing conditions in these Boeing 737 airplanes. The Board recommended that the FAA address this potential problem by either requiring a modification of the airplane wing thermal anti-ice system for pretakeoff application of heat to rid the wing leading edge of ice contamination or revising the takeoff air schedule to provide additional control margin.

Now, as I understand, the FAA has not taken action. Why not? And what have you done to prompt the FAA to take this action?

Mr. BURNETT. The reason the FAA has not taken action is they question whether there is the existence of the pitchup problem that we found.

Senator ANDREWS. What do you think?

Mr. BURNETT. We think there is such a problem.

Senator ANDREWS. What have you done to mobilize public opinion to get the FAA to get their act in gear?

Mr. BURNETT. One of the things I have done is to discuss the matter on national television. We have tried to draw as much attention as we can to that issue.

Senator ANDREWS. Can you provide for the record the specific instances of these recommendations you have made, the pressure you have tried to put on, and where the FAA has fallen down so we will have that information when our friends from the FAA come up?

Mr. BURNETT. Yes.

[The information follows:]

SAFETY RECOMMENDATIONS TO THE FAA

The Safety Board issued 21 safety recommendations to the FAA as a result of the Air Florida accident investigation. All but three of these recommendations are classified in an "acceptable action" status. The Board believes their implementation, in part, corrects deficiencies in procedures which led to the accident. The three recommendations that are classified as "unacceptable action" are:

A-82-83.—Recommends airplane modifications/changes in procedures for B-737 aircraft takeoffs during weather conditions conducive to formation of leading edge frost, snow, or ice contamination.

A-82-84.—Recommends changes to air traffic control coordination procedures and practices to minimize airport saturation and traffic delays.

A-82-85.—Recommends a notice be issued to air traffic controllers to emphasize the proper use of the 2-mile separation criteria between landing and departing traffic.

The FAA has taken some action in response to the Safety Board's recommendation which addressed the B-737 airplane's possible susceptibility to small amounts of leading edge ice contamination and resultant adverse effects on handling qualities during takeoffs. The FAA has approved a modification to the airplane's wing thermal anti-ice system to permit its use during pretakeoff ground operation, and appropriate modification kits will be available for installation by operators. Additionally, the FAA approved flight manual change regarding airspeeds to provide greater stall margins as well as the description of the thermal anti-ice system.

The Safety Board believes that operators will avail themselves of these procedures and modifications to enhance safety during winter operations with the B-737. However, the Safety Board remains concerned that all of these actions will be voluntary on the part of the operator. FAA continues to believe that airworthiness action is neither necessary nor justified since the flightcrew remains obligated to assure that the wing leading edges are contamination free before takeoff. The Board concurs with the "clean wing" requirement but we believe it unrealistic to expect that crews will always detect small accumulations of contaminant or that they will always adhere to the required operating practice. We continue to believe that FAA should levy requirements for operator compliance to the modification or procedural changes similar to the action taken by their United Kingdom counterparts.

The Safety Board has communicated these views to FAA in response to their correspondence detailing actions taken. We are presently evaluating their latest response to all of our recommendations which followed the Air Florida accident. They have initiated actions on the other recommendations which are generally acceptable to the Board. However, we will continue to exert pressure on the FAA as well as the air carriers to assure that the B-737 takeoff handling qualities during winter operations are addressed in operational procedures.

KENNER, LA. AVIATION ACCIDENT

Senator ANDREWS. Even though you have not completed your report, as I understand it, on the accident in Louisiana, it is widely known that the airplane encountered a thunderstorm and wind shear as it took off. It seems that on the average we have had at least one major air carrier accident related to wind shear each year. What interim measures are you taking to prevent another one of these wind shear accidents?

Mr. BURNETT. We have had some longstanding recommendations for research and development and implementation of better technology to prevent that. I do not think the Safety Board has found at this point any action we can take as an interim measure.

ACTIONS TO IMPROVE WEATHER INFORMATION

Senator ANDREWS. Let me put it this way. Are you taking any actions to improve communications between National Weather Service observers, air route traffic control center personnel, and local controllers in the terminal area to assure awareness of hazardous weather and to assure that pilots are given current comprehensive weather conditions during takeoff and landing operations?

The best pilot in the business is only as good as the information that he is given.

Mr. BURNETT. That was, in fact, the focus of our report on the Boston World Airways.

Senator ANDREWS. I know about your report, but what actions have you taken?

Mr. BURNETT. We have made our recommendations, and we are awaiting the FAA's evaluation of them at this time.

Senator ANDREWS. The FAA is holding that up, too. Can you give us the point in time of your recommendation and why the FAA, if you have any idea, is holding it up?

Mr. BURNETT. They are still within their 90 days they are allotted by law for their response to us on those.

Senator ANDREWS. When will the 90 days be up? Provide that for the record.

Mr. BURNETT. I will provide it for the record.

[The information follows:]

The Federal Aviation Administration was given 90 days to respond to those recommendations. As they were issued on December 23, 1982, the responses are due on or before March 23, 1983. As of March 17, 1983, the Board had received no reply.

WET AND SLIPPERY RUNWAYS

Senator ANDREWS. One final question. In our bill last year we included funds for FAA and NASA to study the correlation between stopping performance and runway friction measurements on wet and contaminated surfaces to see if new technology can better predict aircraft stopping performance. Your statement mentioned this problem relative to the World Airways case.

Everything I have read would indicate that there was a miserable icing condition on the runway.

Mr. BURNETT. Yes, sir.

Senator ANDREWS. What is your evaluation of the magnitude of this problem, and what are you doing to alleviate it? What are you doing to make sure that persons on the ground tell the pilot who is coming in: Hey, there is a bunch of ice on that runway?

Mr. BURNETT. I will let Mr. Danaher respond to that question.

Mr. DANAHER. A recommendation letter, Mr. Chairman, which the Safety Board issued in December, just 2 months ago, included a series of recommendations directed toward just that kind of communication: the standardization of pilot reporting, the implementation of criteria more explicit and definitive for airport managers to suspend operations and to conduct inspections of runways.

We have also advocated that the FAA should develop some specific guidance and that aircraft manufacturers and operators should work with them to determine when slipperiness is such that flight operations should be suspended so that pilots are left with less of a fuzzy judgment and more clearcut conditions under which they can decide whether to go or not go.

AVIATION ACCIDENTS AND CARRIER PROFITABILITY

Senator ANDREWS. Have you ever tried to correlate air carrier accidents with air carrier profitability? For example, might there be some relationship between accidents and such factors as maintenance and training?

Mr. DANAHER. We recognize——

Senator ANDREWS. Or is that something we should not even bring up? I think it is pretty darn important.

Mr. DANAHER. I believe we recognize that in the real world situation when things are tight economically, safety provisions are perhaps most vulnerable to cutting corners. We particularly looked for this several years ago in the struggling commuter airlines when that industry was emerging.

We did indeed find that, given extremely limited operating capital, on occasion there was a tendency to overlook and to short-circuit some of the built-in provisions for safety; as a result, since then, we have been particularly alert to that in our investigations. However, we have not been able to substantiate any definite relationship between economics and quality of maintenance and training.

Senator ANDREWS. One final question and then I have to go vote. Rather than hold you up, I will put the rest in the record.

AUTOMOBILE SAFETY

An article in this morning's Washington Post points out that the National Highway Traffic Administration is going to spend nearly $56 million this year trying to reduce drunk driving and increase the use of seat belts, but it will spend only $48.5 million to encourage the production of safer cars. Does this mean the Federal Government has reached the limits of its powers to put safer cars on the highways and now it has to do more to produce safer drivers?

Mr. BURNETT. I would not want to say the Federal Government has reached the limit of its powers to put safer cars on the highways. I am sure there are some things that could be done to improve that, and we would not want to write that off as an area of improving safety.

I think our general observation is that in all areas of transportation we have done a much better job of dealing with the vehicle and improving the safety of the vehicle, while we have done a very poor job of improving the human performance aspects.

DRUNK DRIVING

Senator ANDREWS. I know that when you appeared before this subcommittee last year, Mr. Chairman, you pledged to me that when you came to this year's hearing, you would be able to present a plan for the Safety Board's involvement in the drunken driving problem; so I hope you have that plan and you can put it in the record at this point in time.

Mr. BURNETT. Certainly. We are deeply involved in it.

[The information follows:]

SAFETY RECOMMENDATIONS TO COMBAT DRUNK DRIVING

While drunk driving is the No. 1 cause of highway accidents, steps can be taken to deal with this tragic problem. Thanks to the groundswell of grassroots sentiment, the highway safety leaders are gaining legislative support to combat the problem. This year our initial involvement in drunk driving centered around two safety recommendations. The first was made to the Governors and presiding officers of the legislatures of 35 States and the Mayor and City Council of the District of Columbia recommending that they raise their minimum legal drinking age to 21. The Safety Board made this recommendation because the available data shows a direct correlation between minimum legal drinking age and alcohol-related highway accidents in the affected age groups. As a result of our recommendation many, including the Presidential Commission on Drunk Driving, have endorsed the concept. We have testified before the State legislature in six States thus far as they consider this lifesaving legislation.

The scandalous highway statistics due to drunk driving are not going to change until individual attitudes change. One method of increasing public awareness to the extent of the drunk driving problem is to get the public involved. In September the Safety Board recommended to the Governors of 45 States that they implement a citizen's awareness and citizen drunk driving reporting program such as the REDDI-type (Report Every Drunk Driver Immediately) programs that were used by Colorado, Maryland, Nebraska, Utah, and Washington. Since our recommendation was issued we have learned that there are currently 26 States that have or have plans to implement REDDI-type programs. The Safety Board plans to continue the followup on the existing two recommendations.

The States are changing their drunk driving laws and the enforcement of them. These changes present an opportunity to evaluate key alcohol safety programs. One example being the "administrative per-se" licensing program where drivers who refuse breath tests or who have an illegal BAC have their licenses suspended immediately. The Safety Board plans to monitor the individual State evaluations and the National Highway Traffic Safety Administration evaluations of the recent law and enforcement changes to determine their effectiveness.

The Safety Board is in the process of enlarging our field highway investigation staff. With the increased staff level the Safety Board will be able to conduct indepth driver profile investigations of selected drunk driving accidents in the States. Through the driver profile investigations we can monitor the effectiveness of drunk driving programs. As a part of the driver profile we plan to follow surviving drivers through the court systems.

Using the driver profiles along with general accident statistics the Safety Board will evaluate the effectiveness of the various changes currently being made and identify areas of future focus.

This is a very high priority program at the National Transportation Safety Board and we will be continuously examining and modifying our program so that we can be as effective as possible in addressing this No. 1 safety issue.

SUBMITTED QUESTIONS

Senator ANDREWS. I appreciate very much your coming. I apologize for the fact that the Senate is in vote, and we will probably have another vote shortly after this one. I have a number of questions. Senator Chiles has some questions for the record, and other members of the subcommittee may well have questions they would like you to answer for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

Human Factors and Performance

Senator Andrews: Relative to your human factors and performance program, investigative efforts range from medical aspects of crew member performance, survivability factors, evacuation problems, physiological factors, and vehicle crash worthiness, as well as crashfire rescue efforts, community disaster planning, and the sociological aspects of human error or human performance. What is the status of your human factors and performance program? Have you been able to adequately staff this function? (Last year's testimony on page 468 stated that this was a one-person effort at that time.)

Response: The Safety Board has recognized the past inadequacy in staffing of the human factors program, particularly since this specialty is utilized, to the extent possible, in all modes. Additionally, the many subspecialties embodying human factors require a variety of specific expertise that would be unreasonable to expect in a single investigator. Consequently, the Board has authorized 12 additional positions for the Human Factors Division. Four of these positions will be added to our Human Performance staff, to investigate behavioral, physiological, ergonomic, operational and environmental factors relative to human capabilities and limitations in perception, attention, reaction and judgement; three positions will augment our existing crashworthiness and survival staff; and 5 positions are authorized in the following specialty areas:

1. Medical
2. Fire Sciences
3. Human Engineering
4. Disaster Planning
5. Toxicology/Pharmacology/Physiology

The Board, in the near future, expects to investigate the human factors aspects of accidents in the three specialty areas concerning vehicle crashworthiness, survival and human performance in considerably more depth.

New Investigative Procedures

Senator Andrews: Briefly summarize, by mode, the changes in your investigative procedures which you referred to in your statement. (Air: commercial, ATC, mid-air, new planes, weather, students, light twin engine failures. Rail: property threshholds, pedestrians out, hazardous materials, crossings, alcohol. Pipeline: excavations, liquids. Marine: vis-a-vis Coast Guard. Highways: alcohol, child restraints, buses, small cars, licensing.)

Response: Aviation: The new aircraft accident investigation program launched by the Board beginning January 1, 1982, reoriented the Board's accident investigation efforts to concentrate on accidents which offer the greatest potential for safety improvements. Under the Board's new investigative criteria, the Board's primary accident response depends on the following factors: (1) the need for continued independent investigative oversight of certain specified areas to assure the public's confidence in the transportation system; and (2) the need to concentrate attention and resources on the most significant and life threatening safety issues.

The continuing oversight responsibilities require full field investigations by NTSB of accidents involving commercial passenger service, air traffic control, mid-air collisions, newly certificated aircraft, and several other areas of safety concern, regardless of the severity of the accident in which they occur. Similarly, accident prevention issues identified for in-depth NTSB investigation include inadvertent flight into instrument meteorological conditions, instructional flying, and engine failures in light twin engine aircraft which result in loss of control. The data collected on these NTSB-investigated accidents was considerably increased over previously collected amounts, was oriented toward the safety issues being investigated and was designed for entry into a computer data base for subsequent analysis. Other personal injury and fatal accidents requiring on-scene investigation, but not meeting the previously specified criteria, are investigated by FAA for the Safety Board (although the formal interagency agreement has not yet been approved by FAA). Finally, all property-damage-only accidents not meeting the previously specified criteria are documented by the Safety Board through a limited investigation. Sufficient data is collected on both property damage accidents and FAA investigated accidents to determine probable cause, maintain comprehensive aircraft accident statistics and permit essential accident trend analyses.

Rail: Severe budget cuts, which have resulted in staff reductions and reduced appropriations, have forced the Safety Board to modify certain aspects of its investigative procedures. The following criteria are now in operation:

All passenger train accidents which result in:

a. A passenger fatality or serious injury to more than 6 passengers;

b. Fire with evacuation of passengers;

c. Property damage of $50,000 or more;

All accidents which involve an employee fatality or damage of $500,000 or more.

Other accidents which involve:

a. Release of hazardous materials;

b. Head-on, rear-end, or side collisions;

c. Grade crossing accidents involving highway fatalities, school or public transportation vehicles, or active grade crossing signals;

d. Other special emphasis areas.

Hazardous materials involvement in rail transportation accidents remains a prime concern of the Safety Board. The Board will continue to monitor the installation of thermal protection, head shields and top and bottom shelf couplers on tank cars carrying certain hazardous materials, and is pursuing the installation of protection for top and bottom valves on tank cars.

In the area of grade crossing safety, the Safety Board will continue its support of the Operation Lifesaver program, which has proven itself in reducing the number of accidents occurring between trains and highway vehicles. The Safety Board requires the reporting of fatalities at grade crossings, and will continue to investigate selected accidents in order to determine methods of further reducing such accidents.

The investigation of alcohol related rail accidents will continue to be a prime consideration of the Safety Board. The Safety Board has recently issued three recommendations to the Federal Railroad Administration concerning alcohol and drugs and toxicological testing for those substances. The Board plans to pursue this issue vigorously.

Pipeline: Previous pipeline accident investigations primarily were conducted using "one-man" Board investigations. Today, almost all investigations are conducted using a two-man or team investigative process and incorporate resources from states, RSPA, Board hazardous materials staff and/or other Board technical specialists such as human factors personnel. Additionally, the Board's accident selection criteria places greater emphasis upon the investigation of those accidents offering greater opportunity for examining specific safety issues or safety problems involving new or emerging technologies.

Marine: The Independent Safety Board Act mandates that we investigate all major marine accidents, and the joint NTSB-Coast Guard regulations have been written to comply. Our marine investigation resources are so limited that we can seldom investigate accidents which do not meet the major marine accident criteria. However, in some exceptional potential loss-of-life cases we feel compelled to investigate, as in the recent case in Morrow Bay, California where some 25 children without lifejackets were capsized into the ocean but miraculously all survived.

In order to eliminate the perception that the Coast Guard conducts self-investigations and to avoid duplication of investigative effort, the Safety Board and the Coast Guard have amended their regulations for the investigation of marine accidents. Under the amended regulations the Safety Board will conduct the fact-finding investigation in major marine accidents in which Coast Guard vessels or Coast Guard safety functions are involved. The Coast Guard will assist in the fact-finding process as a party to the investigation. This procedure is similar to the practice followed with the Federal Aviation Administration in aviation accident investigations.

Highway: The Safety Board has dedicated a major portion of its highway field investigations to those issues which provide the greatest safety payback. Special investigations zero in on pre-selected emphasis areas. The investigations are not multidisciplinary and do not attempt to determine the probable cause(s) of the accident. Major investigations continue to be conducted on a multidisciplinary basis for the purpose of gathering all the facts, circumstances and safety issues to determine probable cause(s) and in support of corrective recommendations.

Examples of current safety emphasis areas being studied by the Safety Board are:

> Child Safety Seats and Restraints - 50 special investigations. The purpose is to evaluate the effectiveness of the seats and restraints in real world use, results of improper use and recommendations to make the seats more effective.
>
> Alcohol - gathering of data in support of the Safety Board's effort to decrease teenage drivers' involvement with alcohol; in support of the states raising the age for purchase and drinking to 21 years of age; citizens support of driving while under the influence of alcohol programs and laws; programs such as REDDI (Report Every Drunk Driver Immediately); and an evaluation of the compatibility of state programs with the National programs.
>
> Buses - a revitalized concern for the safe transportation of people in transit and intercity buses. Investigations are specifically looking at driver qualifications, driver selection and training; in-service supervision of health, driving qualifications and the licensing of such drivers.
>
> Licensing - the Safety Board has been concerned for several years about the ineffectiveness of the National Driver Register and its potential if properly used. Now that Congress has recognized and funded the NDR, its use can be expanded to realize some of its potential. The Safety Board and other government agencies can use it to screen licenses and renewals for their own employees, and interstate carriers will be able to more carefully screen new drivers and monitor the driver records of current employees. This should assist in the removal of many problem drivers from the highways.

Accident Prevention Goals

Senator Andrews: Briefly summarize, by mode, your accident prevention goals and what success you are experiencing.

Response: Aviation: We continually face many accidents which are the result of the "same old mistakes," the same kinds of human errors. Whether these errors are made in the cockpit, in the maintenance shop or on the drawing board does not alter the fact that, in many instances, one accident is the repeat of previous ones. Therefore, it is our ongoing goal to conduct thorough investigations which include an accurate assessment of the underlying safety issues involved in order to issue appropriate recommendations which will either cure or reduce the causes of these accidents rather than only the symptoms.

We believe that positive response to our recommendations is one mark of our success and we continue to obtain such a response in many instances. In addition, broadening the scope of our investigations on a selective basis and focusing on pertinent safety issues is increasing our expertise and effectiveness, and will enable us to affect long-range safety benefits in air transportation.

Railroad: The railroad accident prevention goals and methods to achieve them center on investigation of accidents involving (1) human failure through the use of alcohol or drugs, (2) human failure to properly handle trains, (3) increased protection for tank cars containing hazardous materials, and (4) safety standards and emergency procedures for rail rapid transit systems. The Federal Railroad Administration and the railroad industry has been responsive to the need for increased protection for tank cars. The FRA, after a number of years of inadequate action, is beginning to respond to our concerns and recommendations on alcohol and the human factors aspect in the rail industry. The rapid transit industry is also beginning to respond to our recommendations and constant prodding on the needs for standards and improved emergency procedures; however, they are still a year or more away from publishing or adopting emergency procedures and the Urban Mass Transportation Administration is not seeking industry standards but only guidelines. However, continued investigation of accidents wherein these factors are involved will lead to further efforts and recommendations to eliminate these problems.

Pipeline: Goal - To minimize the potential for excavation-caused accidents through improved communications between pipeline operators and excavators about proposed excavations. Success - the primary actions taken by the Safety Board have been associated with encouraging the implementation of effective central notification systems (one-call centers) for potential excavators to advise pipeline operators and other users of the underground about planned excavations.

Goal - To reduce the likelihood and severity of injuries related to gas leakage from gas service lines by encouraging the installation of excess flow valves for rapidly shutting off the flow of gas when leakage occurs. Success - Since the Safety Board initiated this effort, many additional gas distribution systems have become aware of the potential safety benefits of using excess flow valves in their systems. Because of the present limited number of "over-the-counter" suppliers of these devices and because independent documentation of their characteristics has not been performed, a major research project has been implemented by the Gas Research Institute to evaluate the operating capabilities of present valves, to define needed operating characteristics, and to assess the cost/benefit ratio for using these type devices.

Hazardous Materials Goal - To demonstrate the need for the highway routing of high-hazardous materials and obtain action by the DOT for providing guidance to the States concerning the establishment of hazardous material routes. Success - The FHWA has issued guidelines for the routing of hazardous materials in general and the RSPA has issued rules requiring the routing of high-hazard radioactive materials.

Goal - As a means for reducing the number of injuries resulting from the release of hazardous materials in transportation, develop improved means for communicating essential information about the released hazardous materials to emergency response personnel. Success - Through our accident investigations, we have identified deficiencies in the information provided about the hazardous materials transported, about the training provided to transportation personnel for assisting emergency response activities, and in the training and preparedness of emergency response personnel. Based upon these facts, the Board now is beginning to discuss improvement action with emergency response associations, state associations, transportation associations, and the Department of Transportation.

Marine: Our marine accident prevention goals include the reduction of deaths of seamen due to hypothermia. We are pursuing this as part of a program to improve survival systems in general. Both the industry and the Coast Guard have been very receptive to our recommendations and significant progress has already been made.

Recent ship fires in our inland waters have demonstrated the need for improved structural fire protection, crew fire fighting training, upgrading of shipboard fire fighting equipment and the development of fire contingency plans for coordinating the efforts of various fire fighting organizations. These items are all elements of NTSB's goal to improve shipboard fire safety. We have developed, through focused accident investigations, safety recommendations aimed at the accomplishment of each element. The Coast Guard's reception of these recommendations have been favorable for the most part, but we have a ways yet to go before they are in total agreement with us on the best course of action to take to accomplish the goal.

The reduction of loss to life and property in U.S. commercial fishing industry is a major marine accident prevention goal. Our primary means for inducing them to make needed safety improvements is through our accident reports which show the probable causes of the accidents and how they can be avoided.

Highway: Currently three of the Safety Board's accident and injury prevention goals include reducing accidents involving "problem" truckdrivers and other chronic offenders, reducing alcohol-related accidents involving drivers under 21, and reducing fatalities and injuries to children under five.

In the first area, the Board's study of "problem" truckdrivers through a special series of accident investigations identified loopholes which permit multiple licensing of chronic traffic offenders and their employment as operators of heavy trucks, including trucks transporting hazardous materials. The Board was instrumental in recommending changes in the National Driver Register law, which were enacted last year; in gaining action by three states to close multiple licensing loopholes in their laws; and in convincing the Federal Highway Administration to begin an evaluation which is now in progress to strengthen disqualification rules for commercial drivers.

In the second area the Board found that one of the most effective actions that can be taken to reduce alcohol-involved accidents is raising the minimum drinking age to 21. Consequently, on July 22, 1982, the Board issued recommendations to the Governors and legislative leaders of 35 states and the District of Columbia urging them to raise the drinking age. Since then, two States have raised their drinking age -- New Jersey to 21 and Virginia to 19 -- and legislative action is underway in more than half of the remaining states.

In the third area, the Board recommended adoption of child safety seat laws by 31 states and the District of Columbia to prevent the needless death, disability and disfigurement of infants and small children in crashes. Two of those states and the District of Columbia have now passed child safety seat laws; in three other states legislation has been forwarded to the Governor for signature; and similar legislative action is in progress in virtually all of the remaining states.

Impact of Budget Cuts in Modal Agencies

Senator Andrews: Some agencies, the FAA in particular, have had to constrain their responses to transportation accidents because of staffing cuts and other budgetary restraints. In view of your reliance on these agencies to support your accident investigations, how have these agency problems impacted your operation? Have the timeliness and thoroughness of investigations been effected?

Response: Federal Aviation Administration - The Safety Board has not experienced any significant problems in obtaining FAA support for major accident and incident investigations.

As a result of the implementation of the new Selectivity Program on January 1, 1982, reliance on FAA for support in accident investigation has diminished and FAA's level of support has presented no problems for the field offices. The Field Investigation Division is now investigating approximately 77 percent of the general aviation accidents.

National Highway Traffic Safety Administration - A major portion of the Safety Board's highway accident notification system has been the Bureau of Motor Carrier Safety within the National Highway Traffic Safety Administration. Notifications of the occurrence of serious highway accidents is three-fourths less this year as compared to last year (46 vs 12). Whether this is due to staffing cuts or changes in agency priorities, is not known.

The Safety Board has never relied on the National Highway Traffic Safety Administration to support its highway accident investigations, so there has been no effect on this function.

Coast Guard - Due to anticipated personnel cuts and budget restrictions, the Coast Guard revised its policy concerning its marine casualty investigation program in February 1982 to minimize the man-hours expended in accident investigations. The reduced effort has resulted in less factual accident data available to the Safety Board where Safety Board investigators have not been available to assist.

Federal Railroad Administration - To the extent that the Safety Board has in the past relied on investigative support from the Federal Railroad Administration, these agency problems have not yet adversely impacted our operation. However, since the Safety Board's rail accident investigative staff has been decreased, any future reductions at the Federal Railroad Administration could prove detrimental to our effort.

Research in Cabin Safety for Air and Rail Passengers

Senator Andrews: The list of several recommendations included as part of your accomplishments in the last fiscal year does not contain anything relative to cabin safety for rail and air passengers. Given today's knowledge about the post crash survivability of properly protected passengers, would not it be worthwhile to emphasize these programs at least the modal agencies with the most interest in this area?

Response: As you know, the Board has issued several major studies on crash survivability in airplanes ("Cabin Safety in Large Transport Aircraft," NTSB-AAS-81-2, "Evacuation of United Airlines DC-8-61," NTSB-SIR-81-4). The Board has a continuing dialogue with FAA regarding the survivability and escape potential of passengers, not only in reference to air carrier airplanes but also general aviation. In the railroad mode of transportation, the Board has issued several recommendations regarding the crashworthiness of railroad and rapid transit cars, as well as recommendations regarding adequate escape provisions. The Board continues to emphasize these issues.

Senator Andrews: What studies have you completed on cabin safety for airplanes and rail cars?

Response: The Safety Board has published several studies relating to aircraft cabin safety, and issued several recommendations urging the Federal Aviation Administration to revise standards on occupant protection. The Special Study "Cabin Safety in Large Transport Aircraft" (NTSB-AAS-81-2), published in 1981, identified problems related to seat and seat restraint failures, cabin furnishings that break loose and block exits, and the use of interior materials that release toxic substances. Previous studies have dealt with the issues of emergency evacuation and passenger education procedures. These studies include the following:

-- "Passenger Survival in Turbojet Ditchings (A Critical Case Review)" (NTSB-AAS-72-2)

-- "U.S. Air Carrier Accidents Involving Fire, 1965 through 1974, and Factors Affecting the Statistics" (NTSB-AAS-77-1)

-- "Special Study Report on Flight Safety of Passengers and Flight Attendants Aboard Air Carrier Aircraft" (AAS-73-1)

-- "Special Study: Safety Aspects of Emergency Evacuations from Air Carrier Aircraft (AAS-74-3)

-- "Special Study: Chemically Generated Oxygen Systems in DC-10 and L-1011 Aircraft" (AAS-76-1)

In the area of general aviation, another Board study ("General Aviation Accidents: Postcrash Fires and How to Prevent or Control Them," NTSB-AAS-80-2) identified the need for crashworthy fuel tanks and system components to prevent postcrash fires, improved seat restraint system design, additional emergency exits, and passenger education on evacuation procedures. In addition, numerous accidents have been investigated in which cabin safety corrections have been identified and recommendations issued.

Since 1970, the Safety Board has advocated the development of passenger rail equipment safety standards and, as a part of our investigation of rail accidents, has identified many necessary safety improvements. In response to a Federal Railroad Administration "General Safety Inquiry: Rail Passenger Equipment," the Safety Board identified 17 accident investigations which address the need for safety improvements. Areas for safety improvements identified during our analysis of major rail passenger accidents include:

-- Passenger car design for crashworthiness

-- Emergency exits

-- Emergency equipment

-- Emergency operations

-- Emergency evacuation

Additionally, the Safety Board has completed one major study on passenger cabin safety needs for rail rapid transit equipment (subways) entitled "Safety Effectiveness Evaluation of Rail Rapid Transit Safety" (NTSB-SEE-81-1).

Impact of New Technology

Senator Andrews: What are the types of avionics and other technologies in which you feel your experts will be deficient in the future? Give an estimated time frame as to when these types of equipment would likely become operational and therefore necessary for you to have trained experts on hand? Provide detail for the record, including the cost of fiscal year 1984 to meet your need for expertise in avionics technologies.

Response: The Safety Board's engineering expertise is likely to suffer in the near future without adequate training, predominently in the automated control aspects of various transportation vehicles -- railway, marine, and aviation. Many of the new vehicles currently being introduced into service have automatic controls and control systems which involve computers and other sophisticated electronic/avionic components. Additionally, the larger and longer highway vehicles (tractor and trailer combinations) recently authorized will involve new control and drive systems. It is estimated that 17 of the Bureau of Technology's engineers (marine, highway, railroad, and aeronautical/electronic) should have a minimum of two weeks training during FY 84 on a representative vehicle control system. At an estimated cost of about $2,500 per engineer, our FY 84 training costs for these 17 engineers would be $42,500.

Technological Training

Senator Andrews: Given the restrictions on hiring new employees, it is even more important that investigators now on Board be provided with training in emerging technological areas. What has been the trend of increase or decrease, by percentage, in your non-administrative travel over the past few years and your projection for fiscal year 1984?

Response: As you indicated, in a constantly changing technological environment, the lack of technical training rapidly translates itself into a lack of current technical knowledge and thus a lack of technical credibility of Board staff members. Such credibility is central to the Board's effectiveness. As you are well aware, severe budget cuts such as those experienced by the Board in FY 1982 affect all areas, and technological training is no exception. Adequate resources provided the Board in FY 1983 allowed a rededication of funds to this vital area. Unless sufficient funds are maintained in the Safety Board's budget, the technical training, which was virtually eliminated in FY 1982, will not be possible in the future.

As you know, the Board's mission is also dependent on travel and, therefore, budget cuts cannot be absorbed through reductions in mission travel without severely impacting on the effectiveness of our accident investigations and safety recommendations. An overall decrease of 14.1 percent in non-administrative travel is anticipated between FY's 1981 and 1984. The most dramatic decrease occurred between FY's 1981 and 1982 when, because of severe budget cuts and position reductions in FY 1982, the Board experienced a 19.1 percent reduction in non-administrative travel. In anticipation of the reduced level of funding provided in the FY 1984 budget submission, a 3.1 percent decrease in non-administrative travel of the FY 1983 amount is also budgeted for FY 1984.

Impact of Employee Morale

Senator Andrews: Last year you testified that -- because of the payment of overtime being eliminated, the funds available for employee awards being reduced almost entirely, promotions being reduced by 50 percent, and all employees being scheduled for a furlough of at least three days -- that there were severe morale problems which affected the quality and timeliness of Board investigations, studies, and other safety efforts. To what extent does this remain a problem?

Response: Morale has improved substantially with passage of the supplemental 1982 appropriation and the 1983 appropriation which restored funds for overtime, awards, promotions, training and travel. Nevertheless, there is still a great deal of anxiety among the staff about the future.

Controller Morale and Training

Senator Andrews: Much attention has been given to the morale of air traffic controllers and other FAA workers before, during and since the strike. What studies have you conducted to assess employee morale in the FAA? What are the results of those studies? What recommendations do you have?

Response: The Department of Transportation-sponsored "Jones Report" discussed the problems of controller morale. The Federal Aviation Administration has initiated a Human Resource program to evaluate and improve employee/management relations, including employee morale, FAA-wide. In general, controller morale appears to be slipping from the "high" present immediately after the strike. This is because of the realization about the extent and length of the recovery process which continues to require overtime and reduced vacation time for many controllers. Morale affects the stress level among the controllers. Undue stress can adversely affect job performance and subsequently safety. The Board issued a recommendation as part of its initial special investigation of the air traffic control system for the FAA to develop and implement a stress/fatigue program for ATC facilities to prevent the adverse consequences of stress and/or fatigue. The followup investigation report of the air traffic control system discusses this subject in detail.

Senator Andrews: There have been news accounts of problems the FAA has in processing newly recruited air traffic controls through the FAA training academy at Oklahoma City as well as situations of newly checked out controllers in facilities being used to train other less experienced controllers. What have you observed in your investigation of FAA training of new controllers? What recommendations have been made by NTSB?

Response: The news accounts regarding problems at the FAA ATC Academy pertain strictly to an isolated incident regarding alleged grade-fixing. Overall, the Academy is producing sufficient numbers of qualified controllers to meet FAA projections to return facilities to prestrike staffing.

On December 20, 1983 the Board issued Safety Recommendations A-82-146 through 149 to the Federal Aviation Administration (copy attached). Those recommendations were directed at shortcomings in on-the-job training instructors' experience levels, the extent of on-the-job training, and overall management of the on-the-job training program.

NATIONAL TRANSPORTATION SAFETY BOARD

ISSUED: December 20, 1982

Forwarded to:

Honorable J. Lynn Helms
Administrator
Federal Aviation Administration
Washington, D.C. 20591

SAFETY RECOMMENDATION(S)

A-82-146 through -149

The National Transportation Safety Board began a followup special investigation 1/ of the Air Traffic Control (ATC) system of the United States on October 1, 1982. The purpose of this investigation is to evaluate the safety of the ATC system at a later point in its rebuilding phase following the controllers' strike of August 3, 1981. The investigation has involved surveying 50 ATC facilities, including 16 air route traffic control centers (ARTCC's) and 34 terminal radar and non-radar facilities, and interviewing about 350 facility managers, staff, controllers, controller trainees, and military controllers temporarily assigned to the Federal Aviation Administration (FAA). Safety Board investigators have observed ATC operations at the facilities, while riding in the cockpits of commercial airlines, and while flying airplanes within the system.

The Safety Board has not yet completed its analysis of all the information gathered during the field phase of its followup investigation. Once the analysis is completed, the Safety Board will issue a final report of the special investigation. However, the investigation has revealed some specific safety problems which the Board believes require immediate, corrective action by the FAA. The safety problems relate to the manner in which on-the-job training (OJT) is being administered and regulated by ATC facility management.

Before May 7, 1982, a controller assigned to conduct OJT for a trainee (developmental) controller was required first to receive FAA-approved instructor training in accordance with Chapter 3, Section 2, Paragraph 100.C(3) of FAA Handbook 3120.4F, "Air Traffic Training." However, on May 7, 1982, the FAA issued a general notice (GENOT), which waived this requirement for ATC facilities "where resources prohibit administering appropriate training courses" until May 1, 1983. The Safety Board believes that the FAA should reconsider its decision on this matter for several reasons.

During its investigation of the ATC system, the Safety Board learned that many facilities are using newly certified controllers to provide OJT on both radar and nonradar control positions immediately after the newly certified controllers have been "signed-off" on a control position, but before they have had time to develop either sufficient experience or "seasoning" at that position or receive FAA-approved instructor training. ATC facility personnel, including experienced controllers, newly certified controllers, and facility staff have expressed concern to the Board's investigators about the prudence and reasonableness of this practice. In some instances, developmental controllers were certified on a position in the morning and were conducting OJT at that same control position for another developmental controller in the afternoon of the same day. It was also learned that one developmental controller, certified on a radar position, gave OJT to another developmental controller during a part of the shift and, later in the same shift, they reversed their roles at another radar control position. Since the waiver to the standards on May 7, 1982, there presently are no ATC system-wide standards in effect governing the amount of experience at a control position or the amount of classroom training in instructor techniques a controller should have before he/she is assigned as an OJT instructor.

1/ For additional information, read Special Investigation Report—"Air Traffic Control System" (NTSB-SIR-81-7) issued December 8, 1981, which was based on investigative data spanning the period August 3, 1981, to October 9, 1981.

During the Safety Board's initial investigation of the ATC system in the fall of 1981, the FAA stated that no significant modifications of facility training programs to qualify controllers were being undertaken or planned. Further, Chapter 3, Section 2, Paragraph C(1) (not waived) of FAA Handbook 3120.4F, requires that an OJT instructor, "Be proficient on the position at which the training is being conducted." "Proficient" is defined as being "highly skilled." Based on the foregoing information, the Safety Board believes that the existing implementation of OJT at many facilities is not in keeping with the intent of this important criterion and may have a deleterious effect on the proficiency and capabilities of the newly trained controller workforce. Therefore, the Safety Board believes that the FAA should immediately cancel the waiver governing instructor training requirements, and the FAA should immediately reexamine its use of newly certified developmental controllers as OJT instructors.

Experienced OJT instructors now have a double incentive to spend considerable extra time conducting OJT. The first incentive is the newly enacted ATC pay package which includes extra pay for conducting OJT. The second incentive is the desire of senior controllers' to qualify trainees rapidly so they can return to a normal workweek and vacation schedule. Additionally, these personal incentives are reinforced by the manager's desires to meet training goals. As a result, OJT instructors are often scheduled by management for extensive training periods and because they feel obligated to train new controllers to rebuild the workforce, the instructors willingly comply with management's instructions and undertake the assignment. As a result, many senior controllers are conducting OJT for 5 to 7 hours per shift which the Safety Board has determined to be very stressful for the instructors and trainees in heavy workload situations. Additionally, the extended hours of OJT do not provide for a meaningful learning situation for the trainees.

The Board's investigators learned that this situation became so serious at one facility surveyed by the Safety Board that the Facility Advisory Board members brought it to the attention of facility management. Additionally, the Board's investigators learned that, at an "all hands" meeting at this facility, senior controllers complained about the exceedingly stressful effects of the existing OJT workload to facility management. As a result of those complaints, actions were taken to allow full performance controllers at the facility to schedule certain days during which they would not conduct OJT. The OJT instructors expressed relief to the Safety Board's investigators at the easing of the excess stress of conducting continued OJT. It is the responsibility of managers to recognize the adverse consequences of conducting protracted OJT and to develop realistic methods of keeping the amount of OJT required to be provided by controllers at an acceptable level. Therefore, the Safety Board believes that the FAA should consider adopting and formalizing this particular measure of controlling the amount of OJT systemwide to relieve undue controller stress at other facilities with heavy OJT workloads.

Safety Board investigators also studied a procedure developed at LaGuardia Tower, a level-four terminal facility, to control and monitor the controller training process during the rebuilding of the ATC workforce. The facility manager pooled the two Evaluation, Proficiency and Development Specialists (EPDS) and the one Planning and Procedures Specialist (PPS), who was also performing as an EPDS at the time, and assigned one of them to each of the three facility controller teams, shortly after the strike began in August 1981. The specialists' responsibilities include oversight of OJT and classroom and administrative training requirements for their respective team members. They are also responsible for coordination of all training activities with the respective team manager. Although this practice was originally set up on a temporary basis, the positive experience and results of the arrangement have caused the facility manager to continue the practice, and to recommend it to FAA ATC regional and headquarters staff as a permanent team position entitled Evaluation, Proficiency, and Procedures Specialist (EPPS). The proposed EPPS position would perform the combined functions of an EPDS and PPS, and thereby satisfy the needs of each team in training, administration, evaluation, proficiency development, program development, and program planning.

The Safety Board's investigators were impressed by both the quality and quantity of training conducted by and directed by the team-assigned EPDS's (EPPS), and their ability to monitor and control first-hand the training of their respective team members. Therefore, the Safety Board believes that this concept should be analyzed and considered by the FAA for adoption at other ATC facilities. The implementation of a team-assigned "EPPS" or a similar procedure could enhance the ATC system controller workforce recovery process and could assist in the resolution of many of the shortcomings of the existing OJT program, which are of concern to the Safety Board.

In view of the above, the National Transportation Safety Board recommends that the Federal Aviation Administration:

> Cancel immediately the waiver of the FAA Handbook "Air Traffic Training," 3120.4F, Chapter 3, Section 2, Paragraph 100.C(3), which requires instructor techniques training prior to being assigned to conduct on-the-job training. (Class I, Urgent Action) (A-82-146)
>
> Provide air traffic control facility managers with guidance and criteria to govern the use of newly certified developmental controllers as on-the-job instructors to ensure that the instructors are experienced, proficient and trained in instructor techniques before being assigned to conduct training. (Class II, Priority Action) (A-82-147)
>
> Provide air traffic control facility managers with guidance and procedures to place a more measured control on the amount of on-the-job training that controllers are assigned to conduct commensurate with workload and the complexity of the traffic being handled at the control position. (Class II, Priority Action) (A-82-148)
>
> Develop and adopt the team-assigned Evaluations, Proficiency and Procedures Specialist concept, based on that in use at the LaGuardia Tower, or a similar concept, in place of the existing staff-assigned Evaluations, Proficiency and Development Specialist/Planning and Procedures Specialist concept in use at appropriate air traffic control facilities. (Class II, Priority Action) (A-82-149)

BURNETT, Chairman, GOLDMAN, Vice Chairman, McADAMS, BURSLEY, and ENGEN, Members, concurred in these recommendations.

Patricia A. Goldman for

By: Jim Burnett
Chairman

Recommendations Adopted

Senator Andrews: Please update the chart which appears on page 522 of last year's hearings regarding responsiveness to Board recommendations.

Response: Attached, in new format, is a safety recommendation acceptance chart for the last three years.

RATE OF ACCEPTANCE OF NTSB RECOMMENDATIONS BY REGULATORY AGENCIES IN EACH MODE

	1980			1981			1982		
	Number issued[1]	Number closed[2]	Percent of acceptance rate[3]	Number issued[1]	Number closed[2]	Percent of acceptance rate[3]	Number issued[1]	Number closed[2]	Percent of acceptance rate[3]
AVIATION									
FAA	123	75	93	156	137	88	170	101	73
Other Federal	0	2	100	10			1	6	100
Non-Federal	9	1	100		1	100	13	2	100
Total	132	78	93	166	138	88	184	109	75
HIGHWAY									
FHWA	28	11	82	28	7	86	10	12	75
NHTSA	13	3	66	10	4	100	1		
Other Federal	4			18	2	100	1	1	100
Non-Federal	34	7	86	36	5	100	48	5	80
Total	79	21	81	92	18	94	60	18	78
RAILROAD									
FRA	12	8	100	12	15	40	6	36	42
Other Federal	8	1	100	27	1	100	1	24	83
Non-Federal	39	14	100	83	15	93	108	51	80
Total	59	23	100	122	31	68	115	111	68
MARINE									
USCG	78	25	44	45	65	55	13	33	42
MARAD				3			7		
Other Federal	5	2	100	20	1	100	1	3	67
Non-Federal	34	3	100	26	9	100	34	6	100
Total	117	30	53	94	75	61	56	42	52
PIPELINE									
RSPA	19	7	100	9	9	89	3	8	25
Other Federal	6				1	100			
Non-Federal	49	18	83	46	12	100	48	27	100
Total	74	25	88	55	22	95	51	35	83

[1] This column represents the total number of recommendations issued in the calendar year.

[2] This column represents the total number of recommendations closed during the calendar year, independent of the year in which they were issued.

[3] This column represents the percentage of those evaluated as acceptable action of the total number closed during the calendar year.

Senator Andrews: Provide for the record a detailed tabulation, for each of the last five years, of how long it takes on a percentage basis to get your recommendations adopted, itemizing that tabulation by mode and agency (or other addressees).

Response: Below is a detailed tabulation for five years of the time for closeout of recommendations by mode and regulatory agency.

DETAILED TABULATION FOR FIVE YEARS OF TIME FOR CLOSEOUT ACCEPTABLE ACTION BY MODE AND REGULATORY AGENCY

	* 1978		* 1979		* 1980		* 1981		* 1982	
	CLOSED IN CY	DAYS TO CLOSEOUT	CLOSED IN CY	DAYS TO CLOSEOUT	CLOSED IN CY	DAYS TO CLOSEOUT	CLOSED IN CY	DAYS TO CLOSEOUT	CLOSED IN CY	DAYS TO CLOSEOUT
AVIATION										
FAA	86	730	61	1085	70	450	118	771	74	694
HIGHWAY										
FHWA	12	420	14	681	9	1473	6	683	9	858
NHTSA	4	376	4	302	2	271	4	443	-	-
MARINE										
USCG	6	1675	20	878	11	512	37	1054	14	1338
PIPELINE										
RSPA	18	1651	12	1180	9	391	9	659	17	1423
RAILROAD										
FRA	24	1074	11	703	8	671	6	1492	18	1561

* Numbers in this column represent recommendations closed during that calendar year in an acceptable action status.

Winter Flight Operations

Senator Andrews: Your statement notes that in 1982, two of the five major air carrier accidents involved winter flight operations. What were your findings and recommendations regarding engine inlet probe icing? What actions have been taken as a result?

Response: In the Air Florida case, it was found that the flightcrew did not use the engine anti-ice system during conditions conducive to inlet probe icing. We recommended to the FAA that they immediately notify all air carrier operators of the potential hazard associated with engine inlet pressure probe icing, and require that they provide flightcrews with information on how to recognize this hazard and require that flightcrews cross-check all engine instruments during the application of takeoff power. The FAA issued an air carrier operations bulletin March 11, 1982 emphasizing the problems associated with engine inlet icing and suggested operational procedures.

Senator Andrews: What were your other findings and recommendations regarding the World Airways crash in Boston and the Air Florida crash in Washington, and what actions have been taken?

Response: World Airways - The Safety Board made 31 findings involving the accident circumstances of this crash. The findings noted that the standards and operating rules of the FAA regulatory system do not provide for the quantitative measurement of runway friction, minimum runway braking conditions, or means to correlate actual conditions with airplane stopping distances.

The Safety Board also noted that FAA rules do not require stopping performance data for surfaces with low friction coefficients in approved flight manuals and air carrier operational manuals. Pilots are not able to correlate data with accurately defined runway braking action reports. It was concluded that present FAA standards and accepted operating practices do not preclude a pilot from landing an airplane on a runway which is too slippery to provide friction to stop the airplane.

Following this accident, the Safety Board made 17 recommendations which were proposed to minimize the hazards to flight operations from runway surfaces that are contaminated by rain, slush, snow or ice. These recommendations were directed to the FAA, airport managements, and air carriers. The recommendations proposed that the FAA convene an industry-government group, which includes NASA, to define a program for the development of a reliable takeoff acceleration monitoring system and, also, in coordination with NASA, expand the current research program to evaluate runway friction measuring devices which correlate friction measurements with airplane stopping distances.

Air Florida - The flightcrew decided to takeoff with snow/ice on the airfoil surfaces of the airplane and the captain failed to reject the takeoff during the early stage when he was advised of abnormal engine instrument indications. There was prolonged ground delay between deicing and receipt of takeoff clearance while the airplane was exposed to heavy precipitation. The B-737 has known inherent pitchup characteristics with even slight wing leading edge contamination and the flightcrew had limited experience in jet transport winter operation.

The Safety Board made 21 recommendations to the FAA primarily concerning the areas of (1) training of flightcrews on the hazards of winter operations; (2) conducting research to develop effective anti-icing and deicing procedures; (3) implementing appropriate changes in air traffic procedures to prevent lengthy ground delay; (4) revision of pretakeoff check lists to include engine anti-ice; and (5) modification and/or operational procedures for B-737 aircraft takeoff operations during weather or runway conditions conducive to formation of frost, snow, or ice on wing leading edges to assure that such surfaces are clean and do not adversely affect stall airspeed margins or roll control.

Senator Andrews: Has the FAA implemented all of the Board's recommendations arising out of the Air Florida investigation? Which have not been implemented? (National Airport traffic levels, 737 flightcrew procedures, etc.)

Response: The Safety Board issued 21 Safety Recommendations to the FAA as a result of the Air Florida accident investigation. All but three of these recommendations are classified in an "Acceptable Action" status. The three recommendations that are classified as "Unacceptable Action" are:

A-82-83
recommends airplane modifications/changes in procedures for B-737 aircraft take offs during weather conditions conducive to formation of leading edge frost, snow or ice contamination.

A-82-84
recommends changes to Air Traffic Control coordination procedures and practices to minimize airport saturation and traffic delays.

A-82-85
recommends a notice be issued to air traffic controllers to emphasize the proper use of the 2 miles separation criteria between landing and departing traffic.

Non-NTSB Lab Work

Senator Andrews: How many of your lab investigations were for foreign governments or other U.S. Government agencies last year? Do you have reimbursable agreements with these users?

Response: The lab performed a total of 25 investigations for foreign governments and 16 for other U.S. government agencies out of a total of 195 laboratory analyses in FY 82. The Safety Board does not seek reimbursement for these services because all aircraft involved in these investigations were either built in the U.S. or fly in the U.S., so it is in our own interest to offer such assistance.

Adoption of Recommendations

Senator Andrews: At last year's hearing, we enjoyed a lively discussion on how long it takes to get some of your recommendations adopted. Have you seen any improvement this past year in the proportion of your recommendations that are adopted?

Response: As of December 31, 1981 the percentage of all recommendations adopted (closed - acceptable/or acceptable alternate action) was 48.3 percent; as of December 31, 1982 this percentage was 49.7 percent; a slight improvement in the percentage of recommendations adopted.

Senator Andrews: What is the percentage of your recommendations that are still waiting responses?

Response: Of all recommendations issued by the Safety Board, 12 percent are currently in a status of "awaiting response."

Impact of Technological Advances

Senator Andrews: Your employee training effort has two interrelated goals: to enable employees to stay abreast of rapidly changing transportation technology and to adapt your own investigative methodology to such changes and improve your investigative processes through the application of emerging labor and time-saving equipment. I would expect that the current explosion of technological advances makes these goals difficult to attain. What is your view of this situation?

Response: For the past two fiscal years (FY 1981 and FY 1982) essential training for all NTSB employees, including technical training to enable our specialists to remain abreast of changes in their field of expertise, has been sharply curtailed. Expenditures for training in FY 1981 had to be held to a total of $170,000, including such costs as flying time to enable the Board to retain a minimum number of staff specialists with current pilot ratings. The cuts in the FY 1982 budget resulted in the elimination of all training expenditures from October 1981 until September of 1982. Passage of the government-wide supplemental pay raise appropriations in mid-September, 1982, however, allowed the Board to obligate funds (which would otherwise have been used to avert a furlough) for critical technical training for our investigative staff, such as manufacturer-sponsored training in newly certificated Boeing 757 and 767 aircraft. The total expenditure for training in FY 1982, including the training made possible by the supplemental appropriation, however, was only $194,000.

The Board's FY 1983 budget allows more adequate funds for the essential training of its employees this year, and in addition provides some flexibility to finance a few of the continuing training and development efforts which had to be discontinued last year. The approved FY 1983 training plan includes expenditures for employee training of $250,000. Included in this plan are a series of in-house seminars for specialists and investigators dealing with such subjects as system safety considerations, accident investigation methodology and accident report writing. In addition, we plan to reestablish such basic developmental training programs as our cooperative education program designed to assure an adequate supply of college-trained entry-level engineering and aviation specialists. Because of the significant reductions in staff in FY 1981 and 1982, the major constraint to the successful completion of our FY 1983 training plans will be the ability of staff to take time from essential duties to attend the training rather than the availability of funds to finance the training.

Profound changes with far reaching investigative implications are occurring with great rapidity, for example, in the fields of avionics, structures and air traffic control. Electronically generated avionics displays leave no clear clues following an accident as did needle indentations on a dial, formerly relied on for accident reconstruction. Instead, a detailed knowledge of the complexities of their operation must be acquired to adequately assess the possibility that their failure contributed to the accident. Bent, scarred and fractured metal structures, the properties and failures modes of which have long been known and relied on to establish an accident sequence, are increasingly being replaced in more and more components by exotic alloys and composite materials, the knowledge of whose failure modes must be learned or in some cases determined for the first time. The additional capability to analyze and reconstruct an accident scenario made possible by the new, more sophisticated, more extensively recorded computer-based ATC systems is dependent on a full understanding of the operation of these systems and what they can and cannot provide.

The Board's own investigative and analytical methodology is changing as well. Aircraft performance can now be plotted and the analysis of that performance considerably speeded up and enhanced by aeronautical engineers trained in the use of computer techniques for accomplishing the task. Investigators can examine the broader implications of the accident they are investigating if they have a knowledge of the contents, capabilities and how to access the computer data banks available to them. Training is the key to expanded use of such advances, however. In summary, the challenge of meeting the training goals outlined is formidable.

Senator Andrews: The new generation of aircraft avionics has made obsolescent the old-style of flight recorders which only monitors four aircraft functions. What is your position on requiring the retrofit of newer recorders in air carrier aircraft using digital avionics? What actions have you taken?

Response: The Safety Board strongly favors, and in fact made several recommendations to the Federal Aviation Administration (FAA), the retrofit of new (digital) recorders in air carrier aircraft. Recommendation A-82-64 recommended that FAA amend the regulations so that all turbojet aircraft now carrying obsolete foil recorders (DFDR) and that 11 parameters be recorded. Recommendation A-82-65 recommended that, in the meantime, all foil recorders be replaced with these DFDR and the presently required number of parameters be recorded.

In making these recommendations, the Safety Board cited the limitations in the quality and quantity of data obtained from foil recorders from the Pan American Boeing 727 accident at Kenner, Louisiana, on July 9, 1982 and from the Air Florida Boeing 737 accident at Washington, D. C. on January 13, 1982. Since these reccomendations were made, the Safety Board found that the foil recorder for another accident, United Airines Douglas DC-8, at Detroit, Michigan on January 11, 1983 had not performed properly during the accident flight. The metal foil had ceased moving at approximately the time of airplane rotation. Little useful data was obtained. The Board informed FAA of this fact by letter on January 13, 1983 and asked for speedy actions on the implementation of the above recommendations.

In addition to the Safety Board's formal recommendations to FAA, Safety Board staff is monitoring developments in this area, and is continuing to supply information to FAA staffers as it is obtained. We are working with foreign civil aviation authorities and the International Civil Aviation Organization (ICAO) in our mutual efforts to upgrade recorder standards. We have held meetings with all U.S. vendors of digital replacement recorders to familiarize ourselves with the products and to learn which airlines have committed to which recorders. Vendor meetings will continue as necessary.

Finally, cooperation with the press will continue. Thus far, many articles have been written to raise public consciousness regarding recorders and their value in improving the safety of flight. For example, the New York Times published an article on November 4, 1982 titled "FAA Reconsiders Its Stance on Improved Flight Recorders," Omni magazine published an article in its "Breakthrough" column in December 1982 on "Future Flight Recorders."

We will continue to keep the U.S. Congress informed of problems and progress in these areas, to work with FAA, ICAO, and other groups as necessary, and to comment on, and gain support for, any notices of proposed rulemaking (NPRM) which the FAA may issue to upgrade recorder requirements.

We will continue our dialogue with aircraft manufacturers and operators to solicit their cooperation and support in the development and acceptance of cost-effective recorders employing modern technology.

Air Traffic Control System Recovery

Senator Andrews: During his testimony last year, FAA Administrator Helms predicted this country's air traffic control system would be back to 100% of pre-strike activity by February of 1983. In your investigations of the ATC system what activity levels have you observed? Where are the bottlenecks -- control towers or en route centers? What safety hazards may be involved, in your judgment?

Response: The Board discussed this subject in depth in an open Board meeting held on March 15, 1983. The overall nationwide traffic volume was about 90 percent of prestrike levels (as compared to July 1981 volumes) as of January 1, 1983. The Administrator plans to announce full recovery (traffic volume-wise) in April or May of 1983. The "bottlenecks" continue to be certain en route centers and terminals which have not certified a sufficient number of new controllers to handle prestrike traffic levels. There continue to be traffic peaks and valleys at many facilities which equal or exceed prestrike volumes despite the reduced controller staff. Any safety concerns will be discussed in the Board's report when it is completed.

Problems With FAA's Controller Training

Senator Andrews: Your Special Investigation of the air traffic control system is still underway, but you have issued (December 20, 1982) interim recommendations relating to the manner in which FAA administers and regulates on-the-job training for controllers. What is the essence of your findings and what actions have been taken as a result? Provide a copy of your recommendations and the FAA's response for the record. How would you characterize FAA's responses?

Response: The essence of our findings regarding controller on-the-job training (OJT) were addressed in Safety Recommendations A-82-146 through -149. Those recommendations were directed at shortcomings in OJT instructors' experience levels ("seasoning"), the extent of OJT being worked by senior controllers, the lack of instructor technique training, and overall management of the OJT program. The Administrator's reply was responsive to two of our recommendations -- OJT instructors must work "solo" for 30 hours before being certified as an instructor, and specific guidance regarding the extent of OJT being assigned has been sent to facility managers. The reply was not responsive to the other recommendations. The final report will expand on these matters. Attached for the Committee's information is a copy of the Board's recommendations and the FAA's response.

[CLERK'S NOTE.—The Board's recommendations appear in the answer to a previous question. The FAA's response follows:]

Letters From J. Lynn Helms

The Honorable Jim Burnett
Chairman, National Transportation
Safety Board
800 Independence Avenue, SW.
Washington, D. C. 20594

December 22, 1982

Dear Mr. Chairman:

This letter acknowledges receipt of, and responds to, the Board's letter of December 20, 1982, containing NTSB Safety Recommendations A-82-146 through A-82-149 concerning qualifications of new air traffic controllers and those used for instruction and on-the-job training. These recommendations resulted from the Board's followup special investigation of the air traffic control system of the United States.

We are pleased to note NTSB found no unsafe practices, discovered no procedures used by our new controllers that were unsafe, and confirmed earlier findings by other investigative bodies that the airways today are as safe—or safer—than prior to the illegal strike of August 3, 1981.

Equally, we are pleased to note the NTSB investigation has confirmed FAA public statements of December 1981 and April 1982, outlining the time period when peak load for training new controllers would be existent at field facilities. This was further outlined, made public, and questions answered from the news media in an appearance on October 28, 1982 by the Administrator before the National Aviation Club.

Notwithstanding the foregoing, however, I concur with the NTSB recommendations reflecting a continuing need for vigilance, and even extra caution during the period of gaining indepth experience by the new controllers. Such a period would extend at least through December of 1984, and in some cases, could extend up to two years longer.

While field activity supervisors, managers, and working controllers at all experience levels have insured that we have met or exceeded the highest levels of air traffic safety during this trying period, I concur that safety is too important a subject to leave even the slightest doubt in the minds of NTSB Members and the flying public.

Accordingly, I have directed the FAA to step up the already thorough surveillance, inspections, and investigations of the air traffic control system. I pledge my continued personal involvement in these extensive safety checks of the system but am also directing the active participation of our most senior and qualified executive officials in this effort. In addition, I am once again extending to you and the Board Members an invitation to join me or any of my executives as we actively test the operation of the air traffic control system by flying the system seven days a week, day and night.

Finally, these expanded inspections and investigations will be conducted on a random basis throughout the entire United States. To guard against even the slightest suggestion of selectivity, which might influence the results of these tests, this inspection and surveillance activity will, as I said above, be conducted at all hours of the day and on weekends as well as weekdays.

I am confident the test program will once again confirm the safety of the system but be assured that we will be particularly alert for signs of controller hesitance, lack of clarity in instruction, pauses which might indicate lack of confidence, knowledge, or comprehension, tenseness, excessive number of aircraft worked by a controller and/or sector team, alertness in responding to pilot inquiries, clarity of control between the various aircraft in his or her sector, and numerous other parameters to measure the controller effectiveness.

FAA shares your concern that the air transportation system must be as safe as humanly possible to make it so. While we do not believe that any individual or organization would knowingly take action to constrict our joint safety investigative efforts, we concur that no such action should be allowed. We must be ever vigilant to see that no overt restrictions are permitted to hamper our effort to ensure that the U.S. air traffic control system remains the safest such system in the world.

To ensure the activity outlined above is both fully understood and vigorously implemented by the FAA executive staff, I again assure you that I will personally participate in the program on a regular basis.

I thank you for bringing this potential problem and your recommendation to our attention. We are continuing our indepth review and analysis of other specific issues raised in your letter and will provide the Board with further comments in the near future.

Sincerely,

Helms
J. Lynn Helms
Administrator

The Honorable Jim Burnett
Chairman, National Transportation
  Safety Board
800 Independence Avenue, SW.
Washington, D.C. 20594

February 7, 1983

Dear Mr. Chairman:

This is in response to NTSB Safety Recommendations A-82-146 through A-82-149 issued by the Board on December 20, 1982, and supplements our acknowledgement letter of December 22, 1982. These recommendations resulted from the Board's followup investigation of the Air Traffic Control (ATC) system of the United States. The purpose of the investigation was for the Board to evaluate the safety of the ATC system at a later point in its rebuilding phase following the controllers' strike of August 3, 1981.

A-82-146. Cancel immediately the waiver of the FAA Handbook "Air Traffic Training," 3120.4F, Chapter 3, Section 2, Paragraph 100.C(3), which requires instructor techniques training prior to being assigned to conduct on-the-job training.

FAA Comment. At the outset, the air traffic training course addressed in this recommendation was developed primarily to deal with improving the teaching techniques of instructors during their active training sessions with a candidate requiring on-the-job training (OJT). These teaching techniques were arrived at primarily to enhance the instructor's ability to improve the human relations factors involved and to sharpen up the ability to communicate with a student during the training process. The course was not designed to improve the operational safety of controlling traffic in the system. The safety of conducting OJT has always been paramount and would never be placed in jeopardy simply because the OJT instructor has not received training in teaching techniques.

The decision by the Federal Aviation Administration (FAA) to waive the requirements of the FAA Handbook "Air Traffic Training," 3120.4F Chapter 3, Section 2, Paragraph 100.C, was based primarily on the limited resources available for rebuilding of the ATC system consistent with the safety of conducting control operations. This action taken in May 1982 already has a sunset date of May 1, 1983. We are not aware of any safety problems, and NTSB cited none, as a result of this last 8 months' practice. The FAA Academy has developed a new and improved OJT instructor training course. This new course provides the basis of teaching instructor techniques at the facility level. Trained instructors are being released from controller duties to teach the course as the system rebuilding continues and in some instances is being used at several of the adequately staffed facilities where resources are available. Cancellation of this waiver at this time when the deadline is less than 4 months away would not enhance the safety of flight or the training of new controllers, but would in certain critical facilities constrain the rebuilding of the ATC system and in no way would add to the safety of control operations.

A-82-147. Provide air traffic control facility managers with guidance and criteria to govern the use of newly certified developmental controllers as on-the-job instructors to ensure that the instructors are experienced, proficient and trained in instructor techniques before being assigned to conduct training.

FAA Comment. Notice 3120.72, transmitted to the field on January 4, 1983, provides guidance to facility managers for the assignment of OJT instructors. Specifically, the general notice (GENOT) requires the OJT instructor to: (1) be certified on the position, (2) have operated the position for a minimum of 30 "solo" hours, and (3) be certified by a first-level supervisor to perform OJT.

With the exception of the OJT instructor candidates being certified on a particular position, the additional specific requirements stated above are new criteria which were not required prior to August 3, 1981, for performing the duties of an OJT instructor. This additional step was taken to make absolutely certain no short cuts or selective speeding up could occur. Due to the rapid progression of the new work force through our already established training programs, the intangible requirement of providing seasoning experience is one of which the FAA is acutely aware and has continued to utilize such candidates with considerable care and in accordance with good training practices observed by senior controllers and supervisors at the facility. The FAA believes that, in addition to good training practices, a specific number of solo hours on a position is warranted. The number of 30 solo hours on the position is based on historical observation and experience by both the training department and first-line supervisors in the ATC system. These hours represent a reasonable time for an OJT instructor to act with sufficient experience in order to perform the functions of the position on which OJT is being conducted. We emphasize this action is in excess of that required prior to August 3, 1981, and reflects FAA efforts to increase adequacy and uniformity of training.

The uniformity of certification by a supervisor to permit a controller to perform OJT has been somewhat flexible in the past. Now, under the current conditions, the FAA is requiring that certification of this nature be done based on actual observation of the candidate's performance on a particular position of operation. This particular requirement is intended to preclude any misinterpretation of that supervisor's formal certification of the candidate's ability to conduct OJT.

A-82-148. Provide air traffic control facility managers with guidance and procedures to place a more measured control on the amount of on-the-job training that controllers are assigned to conduct commensurate with workload and the complexity of the traffic being handled at the control position.

FAA Comment. The following is the substance of our written instructions to regional air traffic division and facility managers concerning guidance on the time and workload characteristics for utilizing newly trained OJT instructors.

Ultimately, it is the area supervisor's responsibility to oversee the training within his/her area. It is also a shared responsibility between the OJT instructor and area supervisor to assess situations for nonproductive training or for traffic level/complexities beyond the capability of the trainee or OJT instructor.

It is ideal to train on a position when the level and complexity of traffic generally require the constant attention of the controller but where the degree of activity does not demand a steady response. Also, periods of inactivity may occur and some periods of complexity may arise. Complexity of a position is determined by traffic mix, variety of operations, weather, limited use of altitude, airspace requirements, coordination requirements, etc.

In situations where the traffic level and complexity are equal to or below the trainees capability, an employee should be able to provide OJT for a period of up to 7 hours. In situations where traffic levels and complexity occasionally exceed the trainees capability, the OJT period should be limited to 6 hours. When traffic levels and complexity are clearly above the trainees capability, OJT should be terminated for the period or limited to primarily monitoring for learning purposes. These limitations will preclude the stress of trying to conduct training during periods above the trainees level of capability.

Supervisors are required to constantly evaluate the performance of each OJT instructor and trainee assignment and take appropriate actions consistent with changing traffic situations. Appropriate actions include, but are not limited to, the removal of the trainee and/or OJT instructor.

A-82-149. Develop and adopt the team-assigned Evaluations, Proficiency and Procedures Specialist concept, based on that in use at LaGuardia Tower, or a similar concept, in place of the existing staff-assigned Evaluations, Proficiency and Development Specialist/Planning and Procedures Specialist concept in use at appropriate air traffic control facilities.

The FAA does not propose to adopt this recommendation as a requirement for the entire ATC system for the following reasons:

The concept has not proven to be cost effective particularly at our larger facilities.

We believe an effective training program should be standardized and managed by a responsible assistant facility manager or the manager himself. Presently, the training function in the larger facilities is managed by an Assistant Manager in charge of training and in smaller facilities by the facility manager. Training specialists are assigned by these managers to aid first-line supervisors in the fulfillment of their training duties. To assign a training specialist to each team could result in as many as 49 training specialists in some facilities. We do not regard this as an efficient utilization of manpower.

The FAA appreciates the special investigation conducted by the NTSB on the issues pertaining to OJT. This type of training represents a major part of our training conducted in the field and any suggestions for improvements of this particular training is most welcome at any time. The FAA has continued to conduct national meetings of the training officers assigned at the major facilities where the majority of the training is being conducted. During these meetings, discussions of radar simulator training and OJT training on the position or sector have continued to enable the FAA to take immediate corrective action wherein difficulties have arisen. Rest assured that next to safety, the conduct of ATC facility training is our number one priority in the rebuilding process of the ATC system.

Sincerely,

J. Lynn Helms
Administrator

Shallow Depth of Expertise

Senator Andrews: Major aviation accident investigation requires persons highly specialized in aircraft structures and systems, power plants, aerodynamics, maintenance, operations, air traffic control, weather, human factors, and flight recorder readout. Last year you testified (page 479) that in some cases you have only one specialist in any one of these areas to cover your entire nationwide responsibility. What improvements have you made in this situation? Itemize for the record each of your specialists in these technical areas, indicating where your existing staffing problems exist and what efforts you take to shuttle staff from one investigation to another in order to provide an essential expertise. What would it cost, for how many positions, to increase your capability in these areas?

Response: The Safety Board's current staffing to carry out its entire nationwide aviation accident investigation and safety responsibilities consists of the following specialists in each technical area: structures (2), systems (3), powerplants (2), aerodynamics (1), maintenance (1), operations (3), air traffic control (3), flight data recorders (2), and cockpit voice recorders (2). In addition, we have two weather specialists and the following nine human factors specialists who work on investigations in all modes of transportation: crash survivability (4), crashworthiness (3), human performance (2).

Our situation since last year has improved somewhat. In the human factors area, we have hired one human performance specialist and are recruiting for an additional 10 specialists which would enable us to complete an adequate human factors investigation in all major accidents. However, as you will note, we still have several technical areas in which we have only one specialist and a number in which we only have two, even though we have been able to add one additional cockpit voice recorder specialist and an avionics system specialist since last year. In these areas, the specialists continue to have not one nor just two assignments of major accident investigations at the same time, but sometimes three or four. The inevitable result is delays, backlogs and inefficient use of human resources.

Our original fiscal year 1984 request was for 32 additional positions and $21,010 million. Our Congressional budget request was for only 10 additional positions, and $19,735 million, leaving a shortfall of $1.275 million in funds. As a result of the coverage of federal employees under Medicare and the lifting of the executive pay cap since our original budget submission, our best estimate of the current shortfall is $1.310 million.

Priority to Highway Accidents

Senator Andrews: Each year, this nation loses 50,000 persons due to automobile fatalities. This is the equivalent of a 727 aircraft crashing every day of the year. Last year you testified (page 478) that you had only four investigators for your highway field program nationwide. How many do you now have? How many should you have -- what number is appropriate given your overall priorities?

Response: We have added one and are recruiting seven more for a total of 12 field investigators. This would provide highway investigators in Atlanta, Chicago, Denver, Los Angeles, Kansas City and New York.

Ideally, we would need six additional investigators (two each for Fort Worth, Seattle and Miami).

Drunken Drivers

Senator Andrews: What actions have you taken in the past year to alleviate drunken driving and what has been the response and the results to date?

Response: In the past year the Safety Board issued two recommendations to help alleviate the drunk-driving problem. On July 22, 1982 the NTSB issued Safety Recommendation H-82-18 to the Governors and presiding officers of the legislatures of 35 states and the Mayor and the City Council of the District of Columbia recommending that they raise their minimum legal drinking/purchasing age for all alcoholic beverages to 21. The NTSB made this recommendation after reviewing the available data which shows a direct correlation between minimum legal drinking age and alcohol-related accidents in the affected age range. The response has been favorable. The highway safety, medical and insurance communities have endorsed the concept. But more important, there is legislative action pending in the majority of the states with a drinking age of less than 21. New Jersey raised it's drinking age from 19 to 21 effective January 1983; Virginia just raised its minimum drinking age for beer to 19.

The second Safety Recommendation, H-82-35, was issued September 9, 1982 to the Governors of 45 states and the Mayor of the District of Columbia recommending that they implement a citizen awareness and citizen drunk driver reporting program such as the REDDI-type programs now used by Colorado, Maryland, Nebraska, Utah and Washington. The response has been favorable to this low cost/high pay-off concept of heightening public awareness to the drunk driving problem. We are aware of at least thirteen additional states that have programs implemented or on the drawing board for implementation this summer or fall.

Brinksmanship Budgeting

Senator Andrews: Your FY 1984 budget request as transmitted by OMB consists of a 1% decrease from your 1983 appropriation, with no allowance for inflation or workload. Is it not true that essential training requirements could exceed your resources if employee turnover in key specialties is higher than "normal"? What percentage of your total staff is eligible for immediate retirement as of the end of this year? What additional resources would be required to alleviate this situation?

Response: Yes, training requirements could well exceed our resources in FY 1984. In fact, to retain 325 permanent employees and a 1984 training budget equivalent to 1983, we will have to substantially reduce other discretionary activities as well. For example, non-accident investigation travel would be cut by 39 percent, overtime and awards would be cut by 23 percent, and supplies would be cut by 17 percent.

As of the end of this year, 16 percent of our total staff will be eligible for immediate retirement.

An estimated additional $840,000 would be needed to enable the Board to meet all training requirements as well as take other necessary actions to provide the kind of working environment which would be likely to hold employee turnover to normally expected levels. These other actions include such things as compensation for overtime worked, provision of necessary technical equipment, participation in technical conferences, and employee recognition through awards.

Senator Andrews: How do you propose to manage the budget cuts included as part of the President's recommendation for fiscal year 1984?

Response: In order to cope with the $235,000 reduction from our FY 1983 appropriation and the expected effects of inflation, it will be necessary for the Board to eliminate all of the 22 temporary positions we currently have authorized, since our ceiling would be 325 vice 347 staff years. In addition, as previously mentioned, substantial reductions will be required in overtime, training, equipment purchases, administrative travel and employee awards.

Senator Andrews: What was your request to OMB? Provide specific detail for the record.

Response: The Safety Board's FY 1984 budget request to OMB was $21,010,000 and a staffing level of 347 positions. This is $1,275,000 and 22 positions higher than our current submission of $19,735,000 and a staffing level of 325 positions. (It should be noted that as a result of the coverage of federal employees under Medicare, and the lifting of the executive pay cap since our original budget submission, our current best estimate of the short fall is $1,310,000.)

DOT Management of Hazardous Materials

Senator Andrews: Current responsibility for regulating the transportation of hazardous materials lies with the Secretary of Transportation. However, within DOT, several agencies have various levels of involvement with hazardous materials including RSPA, FAA, the Coast Guard, and FRA. Some experts believe that because of this disbursement of responsibility within DOT, it will be impossible to provide long-range planning and effectively administer the Hazardous Materials Transportation Act. Last year you testified (Page 520) that, as a result of one of your safety reports, you had found that DOT had not established a cohesive, effective management system for effectively administering all of its hazardous mterials responsibilities. What is your assessment of DOT's current stance in this regard? What improvement have you seen? What efforts are you making on an on-going basis to encourage improvement?

Response: In response to the Safety Board's Recommendations I-81-11 through I-81-16 which relate to improvements believed necessary in the DOT's hazardous materials regulatory procedures and policies, the DOT responded on March 12, 1982 stating that "Due to the complexity of the Department's hazardous materials safety programs and the current realignment of personnel and resources, we are still reviewing these recommendations. We will advise you of our planned action as soon as decisions have been made." In a letter signed by Secretary Lewis on January 31, 1983, the Department of Transportation agreed in concept to the problems addressed by Safety Recommendations I-81-13, -14, -15 and -16. The letter contained the statement, "We will be responding further to you when we have completed our consideration of I-81-11 and I-81-12." We are awaiting that further response. A copy of the January 31, 1983 DOT letter is attached. The Safety Board is not aware of any improvements implemented by the DOT as a result of our recommendations for administering its regulatory responsibilities; therefore, our assessment of the DOT's current program would be unchanged from our previous findings in our safety report, "Status of Department of Transportation's Hazardous Materials Regulatory Program."

LETTER FROM DREW LEWIS

JAN 31 1983

Mr. James Burnett
Chairman
National Transportation Safety Board
800 Independence Avenue, S.W.
Washington, D.C. 20594

Dear Mr. Chairman:

This is in further reference to the National Transportation Safety Board recommendations I-81-11 through I-81-16, relating to hazardous material transportation safety. In the interim response sent to you in March 1982, we indicated that we were reviewing those recommendations and would subsequently provide you with a substantive response.

We have now completed our review of I-81-13 through I-81-16, and our detailed response is enclosed. As you will note, we are in agreement with much of the thrust of those recommendations.

We will be responding further to you when we have completed our consideration of I-81-11 and I-81-12.

Sincerely,

Drew Lewis

DOT Response to NTSB Recommendations I-81-13 through 16

I-81-13. Require applicants for exemptions to submit, as part of their justification for the exemption, applicable safety analyses performed in accordance with DOT guidelines and standards.

DOT Comment. We agree that, in certain circumstances, applicants for exemptions should submit safety analyses. However, some applications for exemptions pertain only to minor variations in how an existing regulation is implemented, but do not constitute a significant change in the protection provided therein. These are applications of a nature where it is clear that while a safety analysis would represent a cost increment, it would not make an effective contribution to public safety.

Other applications for exemptions pertain to essentially alternative ways of achieving the purpose of a regulation, and usually are associated with technological advances. In these cases, because the issue of safety centers on improved technology, the applicant is required to provide substantive technical data and information (49 CFR 107.103) which are adequate for a determination to be made as to whether or not technical equivalency is being maintained. We do not believe additional DOT guidelines or standards are needed at this time for these exemptions.

It may be more appropriate in certain circumstances to require only that the applicant demonstrate compliance with DOT-specified performance criteria. For example, under Sections 174.61 and 174.63, portable tanks and cargo tanks may be transported on Trailer on Flat Car or Container on Flat Car (TOFC/COFC) service only under conditions approved by FRA. FRA is presently examining the feasibility of establishing performance criteria for safe TOFC/COFC transportation. Some of the factors that will be evaluated include (1) the past shipping experience with hazardous material movement in TOFC/COFC service, (2) special requirements and/or procedures for rail cars with high centers of gravity, and (3) the effectiveness of operational changes in countering adverse effects of high center of gravity loaded cars. In other words, a determination must be made that performance under a proposed alternative solution is technically equivalent to, if not better than, the level required by the current regulation and, therefore, that there is no decrease in protection of public safety. For these applications, it is apparent that while a safety analysis would represent a cost increment, it is not clear how public safety would be better protected by its inclusion.

In cases where the exemption request is not a minor variation, where the applicant does not provide data regarding technical equivalency, or where equal safety performance cannot be demonstrated, we will require safety analysis.

I-81-14. Require that all new proposals for hazardous materials regulations be based upon the congressionally-mandated "quantity and form" framework to ensure that the protective measures required for each quantity and form of a material reduce the hazards to a level such that the public is exposed to no unreasonable risk.

DOT Comment. Quantity and form considerations are explicitly addressed in the hazardous materials regulations as contained in 49 CFR, Parts 171-179--particularly in Part 173 on shipper requirements. These requirements pertain to packaging and quantity limitations for a wide variety of hazardous materials categorized by hazard class and physical and/or chemical attributes. In addition, the DOT safety program is much broader than just rulemaking, but includes inspection, enforcement, training and technical assistance. Resources are allocated within this broader program according to areas of greatest risk. Therefore, quantity and form considerations are implicit in the discharge of these safety responsibilities, as well.

I-81-15. Analyze existing hazardous materials regulations for each mode of transportation and eliminate requirements for material shipments in quantities and forms which do not pose unreasonable risks.

and

I-81-16. Implement and complete within 5 years a program to perform safety analysis evaluations of the existing requirements for shipments in quantities and forms which are determined to pose unreasonable risks and correct the safety deficiencies identified by the evaluations.

DOT Comment. Since its establishment in 1975, the MTB has undertaken to systematically review existing hazardous materials regulations for the the purpose of streamlining, making editorial changes which clarify the regulatory language, or eliminating language where it is deemed that regulations are of marginal safety effectiveness. This has been, and is, a continuing effort in MTB. Moreover, the MTB has been more generally responsive to the need for rational rulemaking as articulated in the Executive Orders issued under Presidents Ford, Carter, and Reagan. For example, it has established a hazardous materials information system which enables MTB to make a more rigorous assessment of regulatory effectiveness and to identify safety problems with respect to both rulemaking and enforcement. The establishment of the Office of Regulatory Planning and Analysis has further enhanced MTB's ability to undertake evaluations of the effectiveness of the overall regulatory program.

There have been a number of accomplishments achieved under this continuing effort. During April, September and November 1976, there were systematic efforts within MTB to consolidate regulations for both the air mode at 14 CFR Part 103, and for the water mode at 46 CFR Part 146, into the Title 49 CFR which already contained regulations for the rail and highway modes. During this consolidation into Title 49 CFR, the hazardous materials regulations for all of the transportation modes were reviewed for potential streamlining and editorial changes.

Since the 1976 consolidation, concerted efforts have been made within MTB to substantially identify other opportunities for the elimination of regulatory language deemed to have marginal safety effectiveness. For example, MTB Docket HM-166 is an open docket of which the purpose is to entertain proposals for miscellaneous amendments to the regulations pertaining to the shipment of hazardous materials. As another example, MTB Docket HM-139 is an open docket of which the purpose is to entertain proposals for amending the regulations governing the transportation of hazardous materials based on existing exemptions which have been granted to individual applicants. These exemptions, when granted, allow applicants to perform particular functions in a manner that varies from that specified by the regulations. Analyses performed in connection with these dockets have resulted in substantial streamlining and elimination of hazardous materials regulations which were of marginal safety effectiveness.

As noted above, the MTB has an ongoing process for reviewing existing regulations and eliminating those which are deemed to be of marginal safety effectiveness. It is not clear what incremental improvement in the protection of public safety would result from the imposition of a parallel program whose objectives would be very similar to those already being pursued by MTB. It is clear that such a program would require either the allocation of additional resources for its implementation or significant changes of priorities resulting in the diversion of presently available resources.

Grade Crossing Accidents

Senator Andrews: Grade crossing accidents involve the greatest number of rail-related fatalities. Of particular concern are those accidents which occur at night, and you have been very active over the last few years in the area of putting reflectors on rail cars to increase their visibility. What has been the experience of the Canadians in reducing grade crossing accidents by using reflectors? How does their accident rate compare to that of the United States? (On page 506 of last year's hearings Mr. Burnett promised that this information would be forthcoming.)

Response: Public hearings were held on the reflectorization issue in 1959 by the Board of Transport Commissioners (BTC) for Canada. As a result of these hearings, and at the insistence of the Canadian Provinces and the public, a reflectorization program was initiated and it has continued ever since. At the end of 1980, 153,783 cars of the Canadian fleet had been equipped at a cost to the Canadian government of approximately $660,436.

The Canadian Transport Commission (CTC), which has replaced the BTC, has attempted to evaluate the effectiveness of their reflectorization program. The railways in Canada are required to report all accidents which occur at public grade crossings. However, these statistics do not differentiate those accidents in which a motor vehicle ran into the side of a train from those in which the train struck the vehicle. Therefore, the CTC has not been able to document the reduction of grade crossing accidents due to reflectorization.

There are substantial differences in the accident figures of Canada and the United States. The Canadians have approximately 34,000 public crossings. The United States has approximately 214,000. In 1981, the United States had 8,232 accidents at public crossings, resulting in 623 fatalities and 3,020 injuries. The same year, the Canadians had 763 accidents resulting in 82 fatalities and 451 injuries. Thus, in 1981, the United States had 38 accidents per 1,000 public grade crossings; Canada had 22 accidents per 1,000 public grade crossings.

Human Factors in Transportation Safety

Senator Andrews: On page 7 of your testimony you refer to human factors in transportation safety being of an intermodal nature affecting all forms of transportation. In what areas in addition to human factors can the Board bring more of an intermodal focus to transportation safety, and what recommendations can you offer to encourage more of an intermodal effort by the private sector with regard to transportation safety?

Response: There are a number of areas which the Board views as intermodal safety issues. For example, safe transportation of hazardous materials; occupant restraint system performance, child and infant restraint design, performance, and usage; weather information collection and dissemination; fuel tank technology; and vehicle crashworthiness are all issues that can and do relate to more than one mode. Often, technology that assists in resolving a safety problem in one mode can be transferred (possibly with modifications) to another. (Non-metallic fuel tank technology may be one of these, for instance.) Although intermodal recommendations are not developed as an end in themselves, the Board is alert to the benefits of viewing safety issues intermodally and issues such recommendations whenever appropriate. (Recommendation A-83-1, that the FAA permit the use in aviation of child restraint systems approved for motor vehicle use, is the most recent example of such a recommendation.)

QUESTIONS SUBMITTED BY SENATOR CHILES

Seat Belts

Senator Chiles: The National Highway Traffic Safety Administration (NHTSA) was reversed last summer when a United States Court of Appeals ruled that the Department's decision to terminate the Agency's passive restraint seat belt regulation was "arbitrary and unlawful." NHTSA plans to continue its opposition to passive restraint systems this summer when it appears before the Supreme Court to appeal the Court of Appeals decision.

What is the position of the Safety Board on the question of passive restraint systems?

Response: On three occasions the Safety Board has provided DOT with comments on rulemaking proposals in connection with the passive restraint aspects of FMVSS 208. On November 1, 1970, the Board said in a letter to NHTSA that "the proposed Standard 208 ... is an important overall improvement which will save many lives." The Board went on to urge that potential purchasers of autos sold after the implementation of the Standard should be educated as to the relative effectiveness of the various methods permitted for compliance with the standard; furthermore, the Board felt the agency should publicly state, in connection with final promulgation of the rule, "the existence of any harmful side effects of the various devices which meet the standard."

Again, on December 3, 1976, the Board wrote to then-Secretary William Coleman: "We believe that public acceptance will follow a decision for passive restraint .... In view of the positive impact derived from mandatory passive restraints, we recommend Alternative IV (mandatory passive restraints). Further, we recommend inclusion of the total front seat in the protective zone effective concurrent with that for the driver."

Finally, on May 13, 1977: "... the Board urges the DOT to adopt Approach II (1), as stated in the above-noted NPRM (full front seat passive protection, mandatory) ... the Safety Board recommends that increased study be given to passive belt restraints as an additional method (besides air bags) ...."

The Safety Board has not taken a position on the most recent NHTSA decision which is currently under appeal.

In addition, the Safety Board published an analysis of the NHTSA's passive restraint evaluation program on March 16, 1979. At that time the Board recommended that the NHTSA "develop and publish a formal evaluation plan to effectively manage the evaluation activities "related to the standard." The Board still believes a real world evaluation of passive restraints is very important.

Senator Chiles: NHTSA now has underway a seat belt program intended to reach all segments of the motoring public through carefully chosen combinations of interpersonal networks and mass media. In spite of similar efforts over the years, only 11 percent of the general population currently uses safety belts. Does the Safety Board feel that NHTSA's program is effective? If so, what data or trends confirms this to be the case?

Response: The Board agrees with Congress that NHTSA should be strongly encouraged to define specific criteria by which the progress and success of its efforts can be measured. A detailed evaluation plan, similar to that drawn up for evaluating the impact of FMVSS 208, would help to ensure the success and cost-effectiveness of this multi-million dollar effort.

The Board believes it is premature to discuss the effectiveness of NHTSA's program at this time since many of the contracts have been underway for too short a time to produce noticeable effects.

Highway Deaths

Senator Chiles: Traffic fatalities in the United States have dropped from 49,293 in 1981 to an estimated 44,243 in 1982 and with this 10% decline in fatalities highway deaths are at their lowest level in 19 years. This trend is true in spite of the fact that vehicle miles have risen in recent years. Only anecdotal evidence exists to indicate that alcohol enforcement programs have had any real effect to date.

What specifically is the cause of the decrease in highway deaths?

Response: It is difficult to pinpoint the specific cause of the decrease in highway deaths from 1981 to 1982. The Highway Users Federation estimates that the fatality rate -- that is the number of fatalities for every 100 million miles driven -- was 2.9 for the year 1982, the lowest rate since 1923. Historically, the number of fatalities has fluctuated with the economy.

Most alcohol enforcement programs haven't been in effect long enough to determine the extent of their impact. It is interesting to note that the nighttime traffic deaths have increased to 62 percent as opposed to 53 percent of all traffic deaths in 1974. Most alcohol related accidents occur at night between 8:00 p.m. and 3:00 a.m.

Rate of Acceptance of NTSB Recommendations by Regulatory Agencies

Senator Chiles: For the last two years the Agency has submitted a table which displays the rate of acceptance of NTSB recommendations by regulatory agencies in each mode. Please update the table and supply it for the record.

Response: The updated table appears in the answer to a previous question under the heading: "Rate of Acceptance of NTSB Recommendations by Regulatory Agencies in Each Mode."

Senator Chiles: The Federal Railroad Administration had the lowest level of acceptance of any other agency and its rate of acceptance continues to decline. Last year the Committee was told that Safety Board Liaison efforts with FRA would be strengthened to improve the rate of acceptance. What progress has been made?

Response: Between June 1982 and the present, the Safety Board has worked closely with the Federal Railroad Administration (FRA) to resolve outstanding safety recommendations. At the beginning of this period, there were 113 open Safety Recommendations addressed to the FRA with an issue date prior to December 31, 1981. In our work with FRA, these were placed in six groups of similar subject matter for more efficient resolution. These groups included "Track Safety," "Hazardous Materials," "Motive Power," etc. In the first nine months of this program, the following closeouts have been accomplished:

12	Closed Acceptable Action
5	Closed Acceptable Alternate Action
1	Closed No Longer Applicable
17	Closed Unacceptable Action
35	Total

During 1982, there were six recommendations addressed to FRA, one of which has been classified as "Closed -- Acceptable Action." As of January 1, 1983, there were 83 open Safety Recommendations addressed to FRA; a drop of 30 (36 closed, 6 issued). The reason for the continued low acceptance rate is the 17 Track Safety Standard Safety Recommendations which were classified as "Closed -- Unacceptable Action" based on the publication by the FRA of a number of amendments to the Federal Track Safety Standards which failed to answer concerns expressed by the Safety Board regarding this issue.

Senator Chiles: What are the major outstanding safety recommendations that relate to FRA and why has FRA decided not to implement them?

Response: A major concern of the Safety Board regarding the Federal Railroad Administration's oversight of the railroad industry is the use of alcohol and drugs immediately before or while on duty. Our first safety recommendation in this area was R-74-9 which was issued as a result of our investigation of the rear-end collision of two freight trains at Indio, California on June 25, 1973. Safety recommendation R-73-9 is as follows:

> Include in proposed standards for Rules Governing the Operation of Trains, regulations that will in effect prohibit the use of narcotics and intoxicants by employees for a specified period prior to their reporting for duty and while they are on duty.

In the nine years since this recommendation was issued, the Federal Railroad Administration has consistently maintained that the "Consolidated Code of Operating Rules" (used by most railroad properties), Rule G, is sufficient when used along with proper training and supervision. Rules G states:

> The use of alcoholic beverages or narcotics by employees subject to duty is prohibited. Being under the influence of alcoholic beverages or narcotics while

> on duty or on Company property is prohibited. The use or possession of alcoholic beverages or narcotics while on duty or on Company property is prohibited.

In a letter dated December 1, 1981, the FRA maintained that Rule G and special training were sufficient and that no federal regulation would be issued. With the occurrence of a number of accidents and incidents involving alcohol, the FRA Administrator called together in November 1982 a group of railroad labor representatives and management officials and challenged them to develop a more effective rule to govern the use of alcohol and drugs. As nothing came of this meeting, it was announced on March 2, 1983 by the FRA that a federal regulation would be forthcoming.

The Safety Board issued, on March 7, 1983, three new recommendations regarding alcohol/drug use regulations and blood-alcohol level determinations. We still await the issuance of the FRA rulemaking project.

Track Safety Standards

Over the past ten years, the Safety Board has cited the need for high standards in the design, construction, maintenance and inspection of track and related structures. The Board has issued many safety recommendations between 1972 and 1983 regarding:

- Track Geometry
- Track Gauge
- Quality Control of Track Components
- Rail Wear Limits
- Effective Inspection Procedures

These recommendations were issued as a result of ten derailment accident investigations and one special study and one safety effectiveness evaluation. On November 10, 1982 the Safety Board placed 18 open track safety standard safety recommendations in a "Closed - Unacceptable Action" status based on a review of the FRA's "Track Safety Standards - Miscellaneous Amendments" which were effective on November 1, 1982.

As a result of our investigation of the derailment of a freight train near Thermal, California on January 7, 1982, Safety Recommendation R-83-14 was issued on January 28, 1983. This recommendation is:

> Develop, validate, and implement a model plan of recommended inspection practices containing clearly defined limits of allowable track structure conditions for the use of industry employed railroad track inspectors to facilitate uniform and knowledgeable appraisals of defective track structure conditions.

The Safety Board will pursue the issue of track safety. We have urged the FRA to continue its research related to track safety and to implement its findings.

Flight Recorders

Senator Chiles: The Safety Board has concluded the aircraft accident data which preserved or which should have been preserved by flight data recorders and cockpit voice recorders is essential to the determination of the probable cause of an accident. After each major accident there is usually some difficulty in decoding the information on the flight data recorder and the flight cockpit recorder. What does the Safety Board suggest to upgrade flight data recorders and cockpit voice recorders in order to preserve the information contained in these devices and to make this able to withstand accidents?

Response: There are two distinct problems here. One is poor data resulting from the use of obsolete-technology recorders, and the other is damaged recording media caused by crash impact and fire.

The first problem is, by far, the most important in terms of numbers of accidents investigated. The Safety Board has recommended to the FAA that obsolete foil-type flight data recorders (FDR) be eliminated from the U.S. fleet because of their unreliable operation, poor data quality, and limited number of parameters capable of being recorded. Recorder manufacturers have recently introduced cost-effective digital recorders to replace foil recorders, thus making practical the installation and use of digital recorders in all aircraft currently requiring a data recorder. The Safety Board forsees that if current recorder standards are not upgraded, we can expect to see 1950's FDR well into 21st Century aircraft.

The Safety Board has also recommended to the FAA that certain cockpit voice recorders (CVR) be removed and replaced on air carrier aircraft because post-accident readouts of several units have indicated that the recordings are of inferior quality and need extensive and sophisticated audio processing to be intelligible. In this age of the inexpensive, high fidelity, pocket-size personal recorder, it amazes the Safety Board that FAA allows grossly inferior sound recordings be made from the cockpits of multimillion-dollar air carrier aircraft.

With regard to the second problem, crash survivability, the Safety Board staff is now working with the U.S. Navy to develop more realistic and better defined fire tests for flight recorder survivability, and is examining the FAA Technical Standard Order (TSO) for flight data recorders, TSO-C51a, and cockpit voice recorders, TSO-C84. The Safety Board notes that the current survivability standard for the CVR is considerably less stringent than for the FDR. Although there may have been a technological reason for this back in the 1960s, there is certainly no excuse for such a disparity today. We plan to make recommendations in this area.

Weather Factors in Aircraft Accidents

Mr. Chiles: As a result of a recent air carrier accident involving severe weather conditions, it appears that a number of improvements or changes are warranted to improve safety. Of particular concern is the apparent need for weather information with regard to runway surface conditions. For example, the Pan American accident at Kenner, Louisiana, was reportedly caused by wind gusts associated with thunderstorms. Technology does exist to monitor wind shear conditions and make the information available to aircraft crews. What steps does the Safety Board have under consideration to improve wind shear detection at our Nation's airports?

Response: The Safety Board is presently considering recommendations to the FAA regarding wind shear detection and warning at our nation's airports. The recommendations stem from a number of accident investigations involving wind shear including our investigation of the Pan American accident at Kenner, Louisiana. The recommendations will be in the area of the Low Level Wind Shear Alert System, the dissemination of significant meteorological information to flight crews and the detection of hazardous meteorological phenomena including wind shear. In addition, a number of our recommendations will deal with the utilization of data obtained during the Joint Airport Weather Studies Project. The Joint Airport Weather Studies Project is a joint program administered by the National Center for Atmospheric Research and the University of Chicago. The field phase was completed in August 1982. The program was initiated to define, measure and quantify with respect to aviation low level wind shear hazards, hazards similar to those encountered by Pan American Flight 759 at Kenner, Louisiana.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will stand in recess until 10 a.m., Thursday, March 3, when we will meet to hear the Coast Guard.

Thank you very much.

Mr. BURNETT. Thank you, Mr. Chairman.

[Whereupon, at 10:42 a.m., Tuesday, March 1, the subcommittee was recessed, to reconvene at 10:05 a.m., Thursday, March 3.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 3, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Chiles.

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF ADM. JAMES S. GRACEY, COMMANDANT

ACCOMPANIED BY:
- **VICE ADM. BENEDICT L. STABILE, VICE COMMANDANT**
- **REAR ADM. PAUL A. YOST, CHIEF OF STAFF**
- **CAPT. GENNARO S. DUCA, CHIEF, PROGRAM DIVISION**
- **CAPT. ROBERT T. NELSON, CHIEF, BUDGET DIVISION**

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning our Transportation Subcommittee will hear from the U.S. Coast Guard and we welcome Admiral Gracey, the Commandant of the Coast Guard and his supporting staff. We look forward to hearing from you, Admiral.

Be assured that your entire prepared statement will be put into the record. You can summarize it or whatever you want to do, and then we will proceed with the question part of it.

INTRODUCTION OF ASSOCIATES

Admiral GRACEY. I would like to briefly summarize, Mr. Chairman, and, as you said, you have the full statement for the record.

You have met my staff but, for the sake of some of those who have not, let me introduce them. On my far right my Vice Commandant, Vice Adm. Ben Stabile; on my far left is my Chief of Staff, Rear Adm. Paul Yost; on my right is the Chief of our Programs Division, Capt. Steve Duca, and on my left the Budget Officer, Capt. Bob Nelson.

I am very pleased to have the opportunity to appear before you today, Mr. Chairman. This is my first appropriations hearing; my maiden voyage, shall we say. It is a pleasure to be able to present our budget request. I welcome the opportunity to consult with you and the other members of Congress and we look forward, as we have in the last several months, to a meaningful and complete dialog to achieve a mutual understanding of our programs, our contributions to national goals, and the implications of budget decisions as they are made.

I believe very strongly in the importance of the dialog and discussing issues, and I am glad we have this opportunity.

The request this year presents what we think is a balanced program with emphasis on maritime law enforcement, national defense commitments, and dependability of our ships, aircraft, shore facilities, and the safety and welfare of our people who operate those facilities.

It is what we have called a 3–D budget—defense, drugs, and dependability.

The budget request reflects national priorities and the concerns of the administration, the Congress, and the recommendations of our roles and mission study.

Our total budget request is $2.545 billion in budget authority, and that is an increase of $79 million over last year. It is a level which is consistent with the President's goal to hold overall Federal growth to no more than the rate of inflation.

As to our personnel levels, we are requesting 134 additional civilian positions and a net decrease of 11 military billets. We propose to convert 41 military billets to civilian positions in the AC&I and R&D appropriations. We also plan to meet as many of our new personnel needs as appropriate with civilian personnel.

This budget does not include facility closures as proposed in last year's request except where facilities are being replaced.

OPERATING EXPENSES

In the operating expense budget, we are asking $1.688 billion. That is a net increase of $81 million. Much of that increase is for increased cost of doing business and for operation of new facilities.

We, in the Coast Guard, face continuing challenges in three areas, as you well know; drug enforcement, defense missions, and dependability of our capital facilities—hence our 3–D budget. The modest program increases in the operating expenses appropriation reflect our need to make progress in those areas.

ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS

In the acquisition, construction, and improvements appropriation, $378.6 million is requested. With that, we will complete the medium-range search jet aircraft procurement; we will continue the Bear-class cutter construction program and the short-range recovery helicopter program with substantially reduced contract progress payments.

You will note that this budget reflects intensification of our fleet modernization and rehabilitation programs for three major cutter classes, the 378-foot high endurance cutters, the 210-foot medium endurance cutters, and the service life extension program for our major buoy tenders.

We are also proposing continuation of the renovation of the C–130 aircraft program and a three-fold increase in funding for improvements to our multimission shore facilities and aids to navigation. This will allow us to address some major needs in these areas.

Finally, several projects will facilitate greater productivity and efficiency at communications and training facilities and in data processing.

RESERVE TRAINING

The $54.8 million request in the Reserve training program will insure continuation of the Selected Reserve at a strength of 12,000 and should give us sufficient funds to fully train at that level and to enhance the program in some other areas.

I am a very strong believer and supporter of the Reserve training program. I believe it is of very significant importance to us and to the country. Its contribution to national security is a cost-effective asset to help us get our peacetime jobs done as well.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The research, development, test, and evaluation request of $22 million is a 10-percent increase over last year. I have reoriented the R&D program to concentrate on fewer projects in areas of high payoff where we have a unique interest. We have generally revamped the R&D program overall—our way of managing and the approach to staffing, and so forth. We plan to continue the operation of our R&D center and we plan to shift to a greater portion of civilians in the staffing.

NATIONAL RECREATIONAL BOATING, SAFETY AND FACILITIES IMPROVEMENT FUND

In the National Recreational Boating Safety and Facilities Improvement Fund we are seeking the full limit of $15 million for recreational boating safety assistance grants to States.

USER FEES

Finally, I would like to note that the administration will shortly transmit our legislative proposal for user fees to recoup direct costs of selected Coast Guard services, with fiscal year 1984 receipts estimated at $58.5 million.

I support the concept of user charges. I believe in the basic principle and the basic philosophy. I played a major role in the preparation of the proposal that will come to you. I believe it is a reasonable one and I urge your support.

PREPARED STATEMENT

Mr. Chairman, that just briefly highlights our budget request and I will be happy to answer questions you may have.

[The statement follows:]

STATEMENT OF ADM. JAMES S. GRACEY

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I HAVE WITH ME THIS MORNING THE VICE COMMANDANT, VICE ADMIRAL BENEDICT STABILE, MY CHIEF OF STAFF, REAR ADMIRAL PAUL YOST, THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN GENNARO DUCA, AND THE CHIEF OF THE BUDGET DIVISION, CAPTAIN ROBERT NELSON.

I AM PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING AND TO PRESENT THE COAST GUARD'S BUDGET REQUEST FOR FISCAL YEAR 1984. I WOULD LIKE TO SAY INITIALLY THAT I LOOK FORWARD TO WORKING WITH THE CONGRESS AND THIS COMMITTEE AS WE REVIEW COAST GUARD PLANS AND THE MANY CHALLENGES WE FACE. I WELCOME THE OPPORTUNITY FOR A MEANINGFUL AND COMPLETE DIALOGUE WITH THE MEMBERS OF CONGRESS TO ACHIEVE A MUTUAL UNDERSTANDING OF COAST GUARD PROGRAMS....AND THEIR CONTRIBUTION TO NATIONAL GOALS. I BELIEVE THAT IT IS VITALLY IMPORTANT FOR THE CONGRESS, AND THE PUBLIC TO HAVE A CLEAR UNDERSTANDING OF OUR MISSIONS AND OF THE IMPLICATIONS OF BUDGET DECISIONS THAT ARE MADE.

OUR 1984 BUDGET REQUEST PRESENTS A BALANCED PROGRAM WITH EMPHASIS ON MARITIME LAW ENFORCEMENT, NATIONAL DEFENSE COMMITMENTS, DEPENDABILITY AND SAFETY OF OUR SHIPS, BOATS, AIRCRAFT AND SHORE FACILITIES, AND THE WELFARE AND SAFETY NEEDS OF COAST GUARD PERSONNEL. I BELIEVE THAT THE REQUEST SUPPORTS A REASONABLE LEVEL OF COAST GUARD REQUIREMENTS, AND REFLECTS NATIONAL PRIORITIES, THE CONTINUING CONCERNS OF THE ADMINISTRATION AND CONGRESS, AND THE RECOMMENDATIONS OF THE ROLES AND MISSIONS STUDY WHICH WE COMPLETED LAST YEAR.

THE OVERALL REQUEST IS CONSISTENT WITH ONE OF THE PRESIDENT'S TOP GOALS....TO HOLD THE OVERALL GROWTH OF FEDERAL SPENDING TO NO MORE THAN THE RATE OF INFLATION. THE $2.545 BILLION IN BUDGET AUTHORITY REQUESTED REPRESENTS AN INCREASE OF $79 MILLION WHICH PROVIDES FOR CONTINUATION OF ONGOING PROGRAMS, OPERATION OF NEW SHIPS AND AIRCRAFT, AND PURCHASE OF NEW EQUIPMENT TO IMPROVE MISSION EFFECTIVENESS AND PRODUCTIVITY.

WE ARE ASKING FOR A MODEST INCREASE OF 134 CIVILIAN POSITIONS WHICH WILL BRING OUR AUTHORIZED FULL TIME PERMANENT CIVILIAN POSITIONS TO 6,174 WITH AN END OF YEAR STRENGTH OF 5,865. AT THE SAME TIME, WE ARE RECOMMENDING A NET DECREASE OF 11 MILITARY BILLETS TO GIVE US TOTAL AUTHORIZED MILITARY BILLETS OF 39,289. WE RECOMMEND CONVERSION OF 41 MILITARY BILLETS IN THE AC&I AND RDT&E APPROPRIATIONS, AND PROPOSE THAT AS MANY OF OUR NEW PERSONNEL NEEDS AS APPROPRIATE BE MET WITH CIVILIAN PERSONNEL. I BELIEVE THAT THIS WILL IMPROVE OVERALL EFFICIENCY AS WE SEEK TO USE MILITARY PERSONNEL FOR OPERATIONAL AND SELECTED SUPPORT FUNCTIONS FOR WHICH THEY ARE PARTICULARLY WELL SUITED.

THIS BUDGET REQUEST DOES NOT INCLUDE FACILITY CLOSURES AS PROPOSED IN LAST YEAR'S REQUEST. WE WILL, HOWEVER, PHASE OUT TWO OLDER 327-FOOT CUTTERS WHICH ARE BEING REPLACED BY THE FIRST TWO OF THE NEW BEAR-CLASS CUTTERS. ONE ICEBREAKER - THE GLACIER - WILL BE DECOMMISSIONED FOR A SCHEDULED MAJOR MAINTENANCE AVAILABILITY. THESE ACTIONS FREE UP ALMOST 500 MILITARY POSITIONS WHICH HAVE BEEN REALLOCATED WITHIN THE APPROPRIATION.

OPERATING EXPENSES

THE OPERATING EXPENSES APPROPRIATION REQUEST OF $1.688 BILLION IN BUDGET AUTHORITY REPRESENTS A NET INCREASE OF $81 MILLION. NEARLY $74 MILLION OF THIS INCREASE IS REQUIRED TO FUND THE INCREASED COST OF DOING BUSINESS AT THE CURRENT LEVEL AND TO PROVIDE FOR THE OPERATION OF NEW FACILITIES. THE REQUEST ALSO INCLUDES ABOUT $13 MILLION FOR PROGRAM INCREASES WHICH IS OFFSET BY $9 MILLION IN PROGRAM DECREASES.

FUNDING FOR NEW FACILITIES WILL PROVIDE FOR OPERATION OF THE FIRST 4 OF A NEW CLASS OF PATROL BOATS, FOLLOW-ON SUPPORT OF 3 NEW SURFACE EFFECT SHIPS, OPERATION OF 5 ADDITIONAL NEW MEDIUM RANGE SURVEILLANCE AIRCRAFT AND SUPPORT FOR THE NEW 270-FOOT BEAR-CLASS MEDIUM ENDURANCE CUTTERS. ALSO WE PLAN TO PROVIDE FOR INCREASED DRUG INTELLIGENCE EFFORTS.

PROGRAM INCREASES PROPOSED REFLECT MY DESIRE FOR SIGNIFICANT PROGRESS IN 3 AREAS: DRUG LAW ENFORCEMENT, MILITARY READINESS AND DEPENDABILITY OF OUR FACILITIES. TO ENHANCE OUR DRUG ENFORCEMENT EFFORT, WE SEEK TO AUGMENT OUR PATROL BOATS TO EXTEND SEA ENDURANCE TIME, PROVIDE NEW DETECTION EQUIPMENT AND IMPROVE LAW ENFORCEMENT TRAINING AND CAPABILITY AT SELECTED SHORE STATIONS. IMPROVED READINESS PLANNING AND TRAINING IS PROPOSED IN SUPPORT OF NATIONAL DEFENSE OBJECTIVES. THE REMAINING REQUESTS WILL GO A LONG WAY TOWARD GETTING OUR VESSELS AND SHORE PLANT UP TO FULL OPERATIONAL CAPABILITY AND PROVIDE FOR THE WELFARE OF COAST GUARD PERSONNEL.

WE HAVE ALSO REQUESTED $3 MILLION FOR NEW RESPONSIBILITIES. CERTAIN STATUTORY DUTIES FOR DETERMINING VESSEL/OWNER FINANCIAL RESPONSIBILITY FOR POLLUTION PREVENTION PURPOSES CURRENTLY ASSIGNED TO THE FEDERAL MARITIME COMMISSION WILL BE TRANSFERRED TO THE COAST GUARD BY EXECUTIVE ORDER AND DELEGATION OF AUTHORITY. ADDITIONALLY, BEGINNING THIS YEAR WE WILL INCLUDE IN OUR PERSONNEL ALLOWANCES ALL PUBLIC HEALTH SERVICE PROFESSIONALS ASSIGNED TO THE COAST GUARD AND WE WILL REIMBURSE PHS FOR CERTAIN ADDITIONAL ADMINISTRATIVE EXPENSES.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

IN RECENT YEARS, A LARGE SHARE OF THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION HAS BEEN REQUIRED FOR THREE MAJOR CUTTER AND AIRCRAFT PROGRAMS. IN ONE OF THESE PROGRAMS, WE PLAN TO ATTAIN AN IMPORTANT MILESTONE....COMPLETION OF THE MRS AIRCRAFT PROCUREMENT THIS YEAR. WE WILL CONTINUE TO PROVIDE FOR THE CONTRACTUAL REQUIREMENTS OF THE 13 BEAR-CLASS CUTTERS AND THE SHORT RANGE RECOVERY HELICOPTERS WITH SUBSTANTIALLY REDUCED ANNUAL PROGRESS PAYMENTS. WITH REDUCED REQUIREMENTS IN THESE MAJOR ACQUISITION PROGRAMS, THE $378.6 MILLION REQUESTED IN THIS APPROPRIATION WILL ALLOW FOR NEW VESSEL REHABILITATION INITIATIVES AND GREATER PROGRESS IN RENEWAL OF OUR SHORE FACILITIES.

I INVITE YOUR PARTICULAR ATTENTION TO OUR PLANS TO BEGIN RENOVATION AND MODERNIZATION FOR OUR 378 FOOT HIGH ENDURANCE AND 210 FOOT MEDIUM

ENDURANCE CLASS CUTTERS. THESE NEW PROJECTS, TOGETHER WITH CONTINUATION OF THE BUOY TENDER SERVICE LIFE EXTENSION PROGRAM ARE NOW THE FOCAL POINT IN OUR PLANS TO IMPROVE THE RELIABILITY AND CAPABILITY OF OUR OLDER VESSELS AND TO EXTEND THEIR OPERATION INTO THE 1990'S.

WE ARE REQUESTING FUNDING TO CONTINUE RENOVATION OF THE C-130 LONG RANGE SEARCH AIRCRAFT AND COMPLETE FUNDING FOR A NEW SEARCH RADAR FOR THIS FLEET OF HIGHLY CAPABLE AIRCRAFT. TO IMPROVE POLLUTION SURVEILLANCE LAW ENFORCEMENT, WE ALSO PROPOSE TO PURCHASE 5 MULTI-MISSION PRODUCTION AIREYE SENSORS TO BE INSTALLED ON OUR NEW MEDIUM RANGE SEARCH AIRCRAFT.

THIS YEAR WE ARE PROPOSING A THREEFOLD INCREASE IN FUNDING FOR IMPROVEMENTS TO OUR MULTI-MISSION SHORE STATIONS AND AIDS-TO-NAVIGATION FACILITIES... IN AN EFFORT TO ADDRESS CAPITAL NEEDS IN THESE AREAS. THE REQUEST INCLUDES FUNDING FOR FOUR NEW STATIONS LOCATED AT VENICE, LOUISIANA; CRISFIELD, MARYLAND; GULFPORT, MISSISSIPPI; AND CORDOVA, ALASKA. ALSO PROPOSED ARE A NEW HANGER AT CAPE COD AIR STATION TO ALLOW FOR EFFICIENT CONSOLIDATION OF OPERATIONS, NEW REMOTE OPERATING SYSTEMS FOR LORAN STATIONS, AND A BEEFED UP MINOR SHORE CONSTRUCTION PROGRAM WITH IMPORTANT OPERATIONAL IMPROVEMENTS PLANNED.

TO FACILITATE BETTER POLLUTION RESPONSE CAPABILITY, THE GULF STRIKE TEAM WILL BE RELOCATED TO OUR AVIATION FACILITY AT MOBILE. FINALLY, SEVERAL PROJECTS HAVE BEEN INCLUDED IN THIS APPROPRIATION WHICH ARE AIMED AT SUBSTANTIAL IMPROVEMENTS IN OUR OPERATIONS THROUGH GREATER PRODUCTIVITY AND EFFICIENCY AT COMMUNICATIONS AND TRAINING FACILITIES AND IN AUTOMATED DATA PROCESSING.

ALTERATION OF BRIDGES

TURNING TO THE REMAINING APPROPRIATIONS, $13.2 MILLION FOR ALTERATION OF BRIDGES OBSTRUCTING NAVIGATION WILL PROVIDE FOR THE GOVERNMENT'S SHARE OF THE COST TO CONTINUE ALTERATIONS ON TWO BRIDGES; THE ILLINOIS RIVER RAILROAD BRIDGE AT PEORIA AND THE POINT PLEASANT CANAL, NEW JERSEY

HIGHWAY BRIDGE. WORK ON A 3RD BRIDGE, WILLAMETTE RIVER NEAR PORTLAND, OREGON WILL CONTINUE WITH PRIOR YEAR FUNDS.

RETIRED PAY

THE RETIRED PAY APPROPRIATION REQUEST OF $341.3 MILLION IS BASED UPON AN AVERAGE OF 24,191 ON THE RETIRED ROLLS. LEGISLATION BEING PROPOSED BY THE ADMINISTRATION TO OMIT THE 1984 COST OF LIVING ADJUSTMENT WILL REDUCE THIS REQUIREMENT BY $7 MILLION.

RESERVE TRAINING

THE RESERVE TRAINING PROGRAM PROPOSED AT $54.8 MILLION WILL SUPPORT A SELECTED RESERVE AT 12,000. I STRONGLY SUPPORT THIS PROGRAM WHICH MUST BE RECOGNIZED AS A VALUABLE CONTRIBUTOR TO NATIONAL SECURITY ESPECIALLY IN THE STRATEGIC MOBILITY ARENA, AND AS A COST EFFECTIVE PEACETIME ASSET IN SUPPORT OF PEACETIME COAST GUARD MISSIONS. I AM PLACING RENEWED EMPHASIS ON INCREASED PARTICIPATION IN READINESS EXERCISES AND OTHER TRAINING TO ENSURE RESERVISTS CAN PERFORM EFFECTIVELY IN THE EVENT OF A NATIONAL EMERGENCY.

RESEARCH, DEVELOPMENT, TEST & EVALUATION

THE RESEARCH, DEVELOPMENT, TEST AND EVALUATION REQUEST TOTALS $22 MILLION, WHICH REPRESENTS A 10% INCREASE. THIS WILL ALLOW CONTINUATION OF ONGOING PROGRAMS AND PROVIDE FOR AN IMPORTANT NEW INITIATIVE. FOR THE FIRST TIME WE WILL HAVE OUR RDT&E PROGRAM INVESTIGATE DEVELOPMENT OF NEW DRUG INTERDICTION TACTICS. WE WILL ALSO BE LOOKING AT SYSTEMS EVALUATION OF MULTI-MISSION BOATS AND OF SHORT RANGE AIDS TO NAVIGATION. MY OBJECTIVE IN THIS PROGRAM IS TO CONCENTRATE ON PROJECTS IN AREAS OF HIGH PAYOFF WHERE WE HAVE A UNIQUE INTEREST. WE DO NOT PLAN TO DUPLICATE OR COMPETE WITH WORK WHICH SHOULD BE THE RESPONSIBILITY OF THE PRIVATE SECTOR. IT IS OUR INTENTION TO CONTINUE OPERATION OF AN R&D CENTER AND TO SHIFT STAFFING TO A GREATER PROPORTION OF CIVILIANS.

NATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND

THE NATIONAL RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND IS FUNDED AT $45 MILLION IN CONTRACT AUTHORITY. WE ARE SEEKING THE FULL LIMIT OF $15 MILLION FOR RECREATIONAL BOATING SAFETY ASSISTANCE ONLY AND ARE REQUESTING APPROPRIATIONS TO LIQUIDATE CONTRACT AUTHORITY IN THAT AMOUNT. EXPERIENCE HAS REINFORCED MY STRONG BELIEF THAT THE STATES MUST BE INVOLVED IN RECREATIONAL BOATING SAFETY AND THAT THESE FUNDS WILL ENCOURAGE AND SUPPORT THIS INVOLVEMENT. I VIEW THIS PROGRAM AS ONE OF SIGNIFICANT IMPORTANCE TO THE SAFETY OF THIS NATION'S 60 MILLION BOATERS.

NO AUTHORITY IS REQUESTED TO INCUR OR LIQUIDATE OBLIGATIONS FOR FACILITIES IMPROVEMENT PROGRAMS. THIS IS CONSISTENT WITH ADMINISTRATION POLICY ON OTHER TRANSPORTATION FORMULA GRANT PROGRAMS THAT FUNDING OF FACILITIES USED BY A LIMITED SEGMENT OF THE POPULATION IS APPROPRIATELY LEFT TO LOCAL GOVERNMENTS AND THE PRIVATE SECTOR.

OTHER FUNDS

FOR THE POLLUTION FUND WE ARE REQUESTING $7 MILLION IN PERMANENT AUTHORITY AS WE HAVE IN PREVIOUS YEARS. FOR THE OFFSHORE OIL POLLUTION COMPENSATION FUND AND THE DEEPWATER PORT LIABILITY FUND, WE ARE AGAIN REQUESTING APPROPRIATION OF SUCH SUMS AS MAY BE NECESSARY, AS OPPOSED TO DEFINITE AMOUNTS. HOWEVER, LANGUAGE IS PROPOSED TO LIMIT OBLIGATIONS IN THESE TWO FUNDS TO $60 MILLION AND $50 MILLION RESPECTIVELY.

USER CHARGES

THE ADMINISTRATION WILL SHORTLY TRANSMIT A LEGISLATIVE PROPOSAL FOR USER FEES TO RECOUP THE DIRECT COSTS OF SELECTED SERVICES THE COAST GUARD PROVIDES. OUR ESTIMATE OF TOTAL RECEIPTS IN FY 1984 IS $58.5 MILLION. I SUPPORT THE CONCEPT OF USER CHARGES AND I HAVE GIVEN MUCH PERSONAL ATTENTION TO THE ADMINISTRATION'S PROPOSAL, WHICH I BELIEVE TO BE REASONABLE. I URGE THE CONGRESS TO GIVE IT SERIOUS CONSIDERATION.

MR. CHAIRMAN, I HAVE BRIEFLY HIGHLIGHTED THE AREAS OF MAJOR INTEREST OF OUR REQUEST. IN A PERIOD WHEN NO GROWTH BUDGETS ARE THE NORM, AND DEMANDS FOR NEW AND HIGHER LEVEL OF COAST GUARD SERVICES ARE FREQUENT, I BELIEVE THAT THIS REQUEST IS BALANCED AND REASONABLE. I RECOMMEND THAT THE COMMITTEE GIVE IT FAVORABLE CONSIDERATION.

THIS CONCLUDES MY PREPARED STATEMENT. I WILL BE GLAD TO RESPOND TO THE COMMITTEE'S QUESTIONS.

Biographical Sketches

Adm. James S. Gracey

Adm. James S. Gracey, became the 17th Commandant of the Coast Guard in May 1982. He was nominated to that position while serving as Commander, Atlantic Area and Commander, Third Coast Guard District, headquartered in New York City. He was promoted to Vice Admiral in 1978 and served in San Francisco, Calif., as Commander, Pacific Area, Commander, Twelfth Coast Guard District and Regional Emergency Transportation Coordinator for California, Arizona, Nevada, and Hawaii.

Before moving to San Francisco, Admiral Gracey was Chief of Staff of the Coast Guard in Washington, D.C., a post to which he was assigned in 1977 after 3 years as Commander, Ninth Coast Guard District—the Great Lakes District—with offices in Cleveland, Ohio. He had been nominated as Rear Admiral in 1974 while serving as Chief, Programs Division in Washington, D.C., and served briefly as Chief of Staff of the Fifth Coast Guard District in Portsmouth, Va., before his first flag officer assignment in Cleveland.

A native of Needham, Mass., Admiral Gracey holds a bachelor of science degree from the Coast Guard Academy and a master of business administration degree from Harvard.

Since graduating from the Coast Guard Academy at New London, Conn., in 1949, he has served in a variety of assignments including command of the cutter *Mariposa.* Admiral Gracey has been awarded the Distinguished Service Medal, two Legions of Merit, the Meritorious Service Medal, the Secretary of Treasury Achievement Medal, a U.S. Public Health Service citation and several lesser decorations.

The Admiral is married to the former Dorcas R. Neal of Needham, Mass., a graduate of Middlebury College and the University of Maryland Graduate School of Education. The have one son and two daughters: Kevin, Cheryl, and Pamela. Married in 1949, "Randy" and Jim Gracey have served in duty stations from Portland, Maine, to Yakutat, Alaska, and they have traveled widely overseas representing the U.S. Coast Guard.

Vice Adm. Benedict L. Stabile

Vice Adm. Benedict Louis Stabile was promoted to Vice Admiral and became Vice Commandant of the U.S. Coast Guard in May 1982 after serving 3 years as Commander of the Seventh Coast Guard District, headquartered in Miami, Fla.

At Miami Stabile, as Rear Admiral, directed Coast Guard operations to stem the flow of illegal drugs and illegal aliens into the southeast United States. His command in Miami included U.S. Navy and Coast Guard forces deployed during the Cuban Exodus (Mariel Boatlift) operation in 1980.

He rose to flag rank in 1977 and served as Chief of the Office of Engineering at Coast Guard Headquarters from 1977–79.

A 1950 graduate of the Coast Guard Academy, Vice Admiral Stabile did postgraduate work at Massachusetts Institute of Technology from 1953–56, earning a degree in naval engineering. He has held various engineering positions in the Coast Guard's Eighth District (New Orleans, La.) and Fifth District (Portsmouth, Va.). He served as Chief of the Ocean Engineering Division at Headquarters (1970–73) and as Commanding Officer of the Coast Guard Yard in Curtis Bay, Md. (1975–77).

From 1973–75 Vice Admiral Stabile was Commanding Officer of the high endurance cutter *Mellon*, based in Honolulu, Hawaii. He also served aboard the cutters *Unimak*, *Castle Rock*, *Reliance*, and the polar icebreaker *Eastwind*.

Vice Admiral Stabile's decorations include the Distinguished Service Medal, the Legion of Merit, the Meritorious Service Medal (three times) and the Coast Guard Commendation Medal.

A native of Brooklyn, N.Y., he is married to the former Barbara Adele Thompson of Flushing, N.Y., a graduate of the Connecticut College for Women. The Stabiles have four children: Janet T., Bennett R., Gail V., and Roderick T.

REAR ADM. PAUL A. YOST

Rear Adm. Paul Alexander Yost, Jr., has been Chief of Staff of the U.S. Coast Guard since June 4, 1981. He was promoted to flag rank in 1978, serving as Commander, Eighth Coast Guard District in New Orleans, La.

Prior to the assignment, he served as Chief of Operations and then Chief of Staff for the Seventeenth Coast Guard District, headquartered at Juneau, Alaska. Rear Admiral Yost has also served as Captain of the Port, Seattle, Wash. and at Coast Guard Headquarters in Washington, D.C., as Special Assistant to the Deputy Secretary of Transportation for Law of the Sea.

During a 13-month tour in Vietnam he commanded all Coast Guard and Navy forces involved in coastal surveillance in both the Third and Fourth Coastal Zones. He also commanded Operation Seafloat, a major effort to pacify the central Mekong Delta area.

Born in 1929 in Philadelphia, Pa., Rear Admiral Yost received his early education in St. Petersburg, Fla. He holds a bachelor of science degree from the Coast Guard Academy (1951) and a master of science degree from the University of Connecticut (1959). He attended the naval War College at Newport, R.I., and holds a master of arts degree in international affairs from the George Washington University (1964).

While serving in a wide variety of assignments, including command of the Coast Guard cutters *Ironwood*, *Agassiz*, and *Resolute*, Rear Admiral Yost has earned the Silver Star, the Legion of Merit (with Combat "V" and a Gold Star in lieu of a second Legion of Merit), the Meritorious Service Medal, the Vietnamese Navy Distinguished Service Medal, and several lesser awards.

He is married to the former Jan Worth of Wakefield, Mass. They have five children Linda L., Paul A., III, David J., Lisa J., and Christopher J.

OPERATION THUNDERBOLT

Senator ANDREWS. Thank you, Admiral, for an excellent statement. Let us begin by asking you to describe Operation Thunderbolt.

Admiral GRACEY. I am sorry, sir?

Senator ANDREWS. Operation Thunderbolt.

Admiral GRACEY. Operation Thunderbolt? You have just given me a thunderbolt, Mr. Chairman. One moment, please.

Senator ANDREWS. Admiral, you had one of those foxy Fifth Avenue PR types, I am sure, hang that label on your program. I assume that you hung it out there for the general public to hear about it.

Admiral GRACEY. Sir, I think it was the Customs Service that had the foxy PR type that hung that on.

Senator ANDREWS. Did they do it? All right, wherever it came from, you were the ones that did most of the work, I suspect. That is why I would be interested in finding out what your feeling is on how it went.

Admiral GRACEY. Mr. Chairman, I understand that was essentially a Customs operation in which they used the E-2C aircraft. I am really not familiar with all the details of it at this time.

Senator ANDREWS. Well, they were supposed to have seized 45 aircraft, 1,130 pounds of cocaine, 26,983 pounds of marijuana, 50 pounds of hash oil, 8 ground vehicles, $9,100 worth of currency, 29 pilots arrested, 32 nonpilots arrested, 36 aliens turned over to Immigration and Naturalization Service. The post-Thunderbolt operation ran from March 16 to May 1; but Thunderbolt itself went from October 1, 1981 through December 16, 1981, a period of 72 days.

What are you doing currently in the drug interdiction efforts in the Caribbean that you are conducting—as I understand it—in conjunction with the Navy, the Drug Enforcement Administration, the Customs Service, and others?

CARIBBEAN DRUG INTERDICTION

Admiral GRACEY. We have a rather extensive program, Mr. Chairman, working very closely in relation to the other services—the Customs, the Drug Enforcement, and with the assistance of Department of Defense assets.

Essentially, we are operating with a number of ships in the Caribbean area, operating in the choke points and in the general Caribbean and Gulf of Mexico areas with some ships operating in random locations to extend our capabilities.

We have established an intelligence center in Miami and we are engaging in a number of classified activities to help us play smarter and not harder.

Obviously, we are using aircraft, and support them with helicopters deployed on our ships. We are using the high endurance cutter that is deployed for the Haitian immigration operation on a dual basis to help with our drug effort as well.

That is a kind of a broad overview. The operations change from day to day, depending on the nature of the problem.

NAVY E-2C HAWKEYE AIRCRAFT

Senator ANDREWS. According to the U.S. Treasury statement in conjunction with Operation Thunderbolt where they tried this operation with the E-2C Hawkeye, junior AWACS aircraft, it exceeded expectations in its ability to detect, track, and communicate tactical suspect target data to interdiction resources and an E-2C base strategy offers such significant possibilities that it must be strongly recommended for implementation.

How would you describe the capabilities of this E-2C Hawkeye and how the capabilities could lend themselves to the Coast Guard's military, law enforcement, search and rescue, and other missions?

Admiral GRACEY. I am familiar with the E–2C, Mr. Chairman, from a few years back as well as currently. When I was the Commander of the Pacific area and operating out of San Francisco 3 years ago, we were using the E–2C's that the Navy had in the southern part of California in a cooperative effort. They flew them for us on an as available basis to try to find targets coming up the west coast.

They were effective in spotting targets, but we had to fly them in conjunction with the C–130. The E–2C operates at a very high altitude and it is very effective at spotting surface targets but they cannot identify them. So, what we had to do was fly the E–2C to say there is a target out there, and then the C–130 would go look at it.

One of the reasons for that was that our C–130's do not have anything but a weather radar. They search with the MARK–1, MOD–1 Eyeball. We are taking steps to change that.

The E–2C was essentially developed as an airborne detector. Their function is to give early warning to battle groups and aircraft carriers of airborne targets over the horizon so that the ships have time to defend themselves. That is where they are very effective.

I do not know the details of Thunderbolt but I suspect that their effectiveness was based on their ability to detect airborne cargoes coming in. The size of the figures you gave me lead me to believe that these were essentially airborne targets that were picked up.

Senator ANDREWS. The results of that particular interdiction would appear to indicate that.

Senator CHILES. That is exactly what happened. That was the first operation, basically, in which you had the cooperation of the military while Posse Comitatus was just still in its infancy and before it had been announced, so to speak. It had startling success because they got the druggies sort of caught unaware. They did not know how we had this look-down radar that was picking them up.

USE OF THE E-2C AIRCRAFT FOR DRUG INTERDICTION

Senator ANDREWS. And caught a whale of an awful lot of planes.

The thing that this subcommittee is concerned about, I am sure that you know that many of us—Senator Chiles and I and other members of this committee—also serve on the Defense Subcommittee. We have a continual obligation to the taxpayer out there to see that, one, our defense dollars are spent wisely and, two, that the search and rescue capability and the drug interdiction capability of the Coast Guard and other units be maximized.

We understand about interservice rivalry. You love to spend your money on your own aircraft and your own boats, and all that sort of stuff. The Navy is very jealous of their $39 million Hawkeye. But we have to be a little practical sometimes, too.

If we are going to have a number of these $39 million Hawkeyes in the Navy inventory that can pinpoint targets on the surface as well as aircraft, is the taxpayer really well served by having the Navy fly those planes back and forth in a peacetime mode, searching for targets which are buoys that are put out by some other Navy plane; searching for targets that are other naval aircraft that are out there so that their crews can remain well trained and ready for a hostile action in time of war?

Of course, that is what we are doing. But it does not make much sense to this committee not to use these same E-2C Hawkeyes up and down our coast, off the coast of Alaska, on the west coast, on the east coast, and particularly down in the Florida area where, with an orange Coast Guard stripe, they could fly in and out and around a bunch of islands a whale of a lot better than they can as a naval-designated aircraft.

Now, I understand totally, Admiral, the need to train the guys in the back that are running those sophisticated computers. They could well be naval personnel getting their training in actual interdiction of drug runners. They could very well be naval personnel getting their training on how to run the computers, and the radars, and the rest on search and rescue missions off our coast.

The thing that we are trying to do, as we did last year in this committee, is try to find some commonality. Last year, as you know, we utilized the DOD funding to buy you some ships. We thought it made a lot of sense. Your ships all revert to the Navy in time of war anyway and why not put them in the Coast Guard where you get maximum use out of them instead of using them just on training missions.

We got into, as you know, some static and some of the money was held back for awhile and all of that. We worked that out.

Now we are in a field where we have a very sophisticated bird. I took some time to go up to the Grumman plant to talk to some of their people. The amount of equipment that that plane carries and the things it can do flying at 30,000 feet and telling your ships and/or slower planes down closer to the ground what to do, I think, would give us a big lift upward in this continual drug fight that we seem to be losing.

Oh, we pick up some marijuana here and there and we pick up other drugs, but there seems to be more coming in than we are picking up.

When do we get the stimulus from you and others to say, "Hey, this is a worthwhile concept and it could really help us"? How do we break you out of your parochial shell? It is going to be tougher to break the Navy out of its parochial shell than you.

But everybody is so polite. Everybody dances that minuet and says, "Oh, we would not think of imposing on the Navy. We would not think of getting that very sophisticated naval bird."

You have aviators that can fly that thing and you have Coast Guard stations. That plane is designed to operate on short runway conditions; it is designed to take off from carrier decks. You have all kinds of Coast Guard stations that could support, I would think, the naval personnel that would undoubtedly go with it since they are training for that kind of thing. Why can we not make something like that work?

Admiral GRACEY. Well, you have given me a full agenda, sir.

Senator ANDREWS. Sure we have given you a full agenda. We want to stimulate your imagination, Admiral.

Admiral GRACEY. You have done it, sir. [Laughter.]

Let me see if I can answer.

Senator ANDREWS. Might I say, there is nothing parochial or pork-barrel in this because unfortunately we have no sea coast in North Dakota. [Laughter.]

Admiral GRACEY. It never occurred to me that there was, sir.

First of all, let me speak to the point that you made about service jealousy. You read into what I said, I guess, a reluctance on my part to be involved with the Navy E-2C.

Senator ANDREWS. Oh, this reluctance has preceded you in this job, Admiral.

Admiral GRACEY. I see. Well, it is an accurate perception.

Senator ANDREWS. That is standard operating procedure.

COAST GUARD USE OF NAVY EQUIPMENT

Admiral GRACEY. It is an accurate perception. But it has nothing to do with service jealousy, it is not that we want to fly our airplanes and we want to avoid flying the Navy airplanes.

If we were worried about flying or sailing Navy-type equipment, we would have been out of business a long time ago. We have been flying their type of equipment and sailing their kinds of ships for a lot of years.

As I told you, when I was in PAC area, long before this was a big idea expressed here in Washington or any place else, under my command we sought out the E-2C's and sought them out as a way of helping us to find the targets that were sailing up the Pacific Coast. That is not new, that has been going on for a long time, as early as 1979.

Senator ANDREWS. The point is, you found those targets.

USE OF E-2C AS COAST GUARD AIRCRAFT

Admiral GRACEY. We did. We found some and it was very effective. So, I do not argue the effectiveness of it at all. I think you are correct when you say that there is a great deal to be gained in tracking real targets instead of dummies; provided they are targets that reasonably resemble the type that the crews would be looking for in wartime. I am not sure that is always so.

But that aside, I agree with you. I have argued with my service counterparts—and I use the word argued advisedly—that there is a great deal to be gained. There are other types of missions that the other services fly and sail, night detection missions, for example, where what they do could be done against drug interdiction and very effectively.

My concern on the use of the E-2C as a Coast Guard aircraft is manyfold and it does not have anything to do with not wanting to fly a Navy airplane, or service jealousy.

One, it is a very expensive piece of equipment.

Two, in an area like the Caribbean it detects so many targets that we are overwhelmed.

Admiral Stabile has related to me his experience when he was Commander of the Seventh District and responsible for our drug interdiction program there. Some of the systems we were using at the time—and perhaps it even included the E-2C for all I know—detected too many targets. If we cannot identify them we are just overwhelmed with targets and really do not know what to do with them.

I suggested jokingly yesterday that what we should do is pass a law that everybody carrying marijuana has to make a 360-degree circle every half hour and then we will know who they are.

Senator ANDREWS. But they do not do that. The question is, Admiral, would you not rather find too many targets than none at all, too few? If you find 100 targets out there and you can investigate 30 of them, that is a lot better than identifying five on the type of radar that you are now using.

Admiral GRACEY. Only if you have the capability to investigate 30, Senator. That is the other part of the story.

Senator ANDREWS. Your surface ships and your slower flying, lower altitude craft if you have this, shall we say, ringleader up in the sky that can say you have targets of this, this, this, and this, then you have the panoply of targets out there identified and somehow or another some judgment decisions have to be made. Obviously, you cannot find them all and inspect them all—maybe you could if you had enough ships and enough planes.

But at least you know where all the possibilities are.

Admiral GRACEY. Right. I think where we come from, Senator, is that for each two E-2C aircraft we would have, we could have five C-130's fully equipped with proper radar and proper sensor devices. We could cover a lot more territory and do it in a way that we could follow up and prosecute the cases.

That is where we come from. We think for a given amount of money we can get a lot more mileage in going with the types of aircraft we have. I am perfectly willing to go into a new aircraft type if it is going to work for us, but in this case I think it is not cost-effective.

JOINT NAVY-COAST GUARD USE OF E-2C AIRCRAFT

Senator ANDREWS. Admiral, this committee has no commitment to buying additional E-2C's. This committee's total thrust is taking whatever number of E-2C's that the Nation has deemed it necessary to have on hand, ready for wartime use, and use those planes which are otherwise involved solely in training missions, in the actual oversight of the type of mission that you run on a—I would hope—daily basis, so that your C-130's which you say are more effective—and I agree are more effective—because with an E-2C looking over it that C-130 should be able to be more effective than it can be without the E-2C.

Admiral GRACEY. There is no question about that.

Senator ANDREWS. That is what we are driving at. The point is, we have these E-2C's now as taxpayers. We are talking not as Navy, not as Coast Guard, we are talking as taxpayers that we are now going to own five or six new E-2C's every year. Those E-2C's are going to be flown the requisite number of hours.

I would much rather have them out there looking in a way that helps you get the maximum utilization out of your C-130's than have them looking for some buoy or some plane that the Navy is flying out there so that they can identify it.

I just think, given the same amount of fuel consumption, the same amount of flight hours, and all the rest, why not have them doing something?

It is a lot like years ago, you learn from history. Hitler built the Autobahn system as a military net. It certainly served the civilian economy very well.

We have to own these Hawkeyes for protecting our carrier fleet. If you put four of them in one carrier task force it does a pretty good job of protecting. Obviously, when a carrier task force of ours is now out at sea, they have four Hawkeyes with them.

But there are a number of these four Hawkeye units that are here stateside. Those are the ones, it would be the thinking of some of us on this committee and on the Defense subcommittee, that ought to be deployed with the Coast Guard; ought to be identified as Coast Guard, and for training purposes, if they carry a Navy crew, so what? You are training the Navy types.

I would imagine that a Navy individual could get along just as well on a Coast Guard base as he can on a Navy base. You probably have the same support facilities. You probably take care of them fairly well, and he might learn some new jokes and you might learn some new jokes from him in that intermingling of the services.

Admiral GRACEY. I suspect that most naval officers would find that they do not have the same support facilities on Coast Guard bases, sir; but that is aside.

Senator ANDREWS. Well, there might even be an occasional naval base close to where you have to do the work as the Coast Guard. But you know, if we are training these people for wartime, it is not too wonderful in wartime either. I would suspect that they would find a Coast Guard base something approximating the rigors of wartime because you are actually doing something in the Coast Guard and the Navy actually does something only occasionally.

But since we are trying to train them for the very rigors of wartime, it might be a good opportunity for them to see where the work is really being done.

PLAN FOR JOINT USE OF E-2C AIRCRAFT

Senator ANDREWS. Let me make this suggestion, Admiral. I would like to request that you meet with the Navy people and draw up a plan that you could submit to this committee no later than April 15, which gives us plenty of time to look at it, that would set forth the procedures and resources that would be necessary to phase in some sort of E-2C program as a Coast Guard mission.

Although we already have some preliminary information, we would like you to include a full itemization of the cost of acquiring a workable number of these aircraft, including training, spares, shore facilities, and so forth. How the Navy personnel could intermesh with Coast Guard personnel. Whether it would be better to have the Navy personnel themselves on board and just identify them as Coast Guard. How your coordination would go. Whether they should be transferred to the Coast Guard in toto. Indicating which costs would be incremental and which would occur anyway relative to the normal Navy training program.

Give us some estimate of procurement leadtime and training time to get a fleet of these aircraft operational. We would like to find out from you what you and the Navy can sit down and find out could be done to augment the program that you are running, based on one basic understanding, that the E–2C's are going to be there anyway, in whatever number; they are already an invesument of the American taxpayers.

It is not a question of, do you want them instead of the patrol planes you now have but, could they be flying missions in conjunction with your effort instead of their normal training mission to provide more benefit to the American taxpayers and, hopefully, help get this problem under control.

I know my colleague from Florida has some questions about this. I would like to ask one other question of you before I turn the questions over to Senator Chiles.

I understand the Coast Guard participates in the Inter-Governmental Maritime Organization; is that correct?

Admiral GRACEY. That is correct, Senator.

May I just make one wrap-up comment on the E–2C?

Senator ANDREWS. Sure, sure.

Admiral GRACEY. I just want to say, I am delighted that you went the way you did with your direction to us. I had it on the tip of my tongue to say to you that the subject is training, and the best way to train the Navy pilots for this is really something that the Navy should comment on. I am not qualified to do that and I really cannot say whether it would be a good way to go or not.

So, I am pleased that you gave us the direction you did.

Senator ANDREWS. Well, I am coming at you from the standpoint of a layman. I think flying a plane is flying a plane. [Laughter.]

Admiral GRACEY. That is what I think, but my aviator friends keep telling me that is not so.

E–2C TRAINING

Senator ANDREWS. There is some difference flying it off a carrier or flying it off a Coast Guard station air base, but a lot of the training those E–2C's now are going through is land-based flying—the plane is necessary to give the onboard radar and computer operators the opportunity to be trained. As a layman I have the feeling that they can be trained probably as well looking for surface and air targets in a drug interdiction raid than looking for the buoys that are put out for them to identify.

Admiral GRACEY. I have spent a career having aviators tell me that you cannot just say training is training, sir. So, that is where I was coming from.

Senator ANDREWS. Oh, I know all of that. The point is, I also recognize that we will probably have to lead the Navy kicking and screaming to this kind of a marriage and we will have to overcome all kinds of doubts that you might have. They will not want to be on your stations and you will not want to have the responsibility for all of this.

We are just trying to figure out a fix that is going to get the job done better. We realize we will have a number of these birds anyway and we would like to have you give us whatever comments you can get after you talk to the Navy.

[The requested analysis follows:]

ANALYSIS OF E-2C CAPABILITIES AND ITS USE BY THE COAST GUARD

EXECUTIVE SUMMARY

This issue paper describes the capabilities of the E-2C aircraft, its present use and USN squadron assignments, and alternatives for Coast Guard use for drug interdiction of surface vessels.

It concludes that while comprehensive radar surveillance, especially in the Caribbean basin and the approaches to the Yucatan Pass, can be met by E-2C's, it would require 8 aircraft and two shore sites, at an approximate cost of $533 million. Lesser numbers of aircraft would result, of course, in less surveillance.

Without significant increases in Coast Guard cutters, the increased surveillance capability of the E-2C would not be fully utilized. The total costs of full utilization of E-2C's for marijuana interdiction would be much greater than the estimated 1/2 billion dollars for the aircraft alone.

The alternatives assumed that maritime smuggling would continue at the levels of the last several years. However, continuous Coast Guard interdiction has caused a drop in maritime smuggling during 1983.

The E-2C is designed to acquire airborne targets at considerable distances from naval assets, such as carrier task forces, which the aircraft helps to protect. To use this platform for surface targets is a great misuse of a resource of considerable expense and one which is not excess to the U.S. Navy's needs.

This paper recognizes that more cost effective alternatives exist without use of E-2C aircraft.

The Chief of Naval Operations and Commandant, U. S. Coast Guard do not support E-2C's for Coast Guard use.

Statement of the Issue: A plan has been requested by which the Coast Guard could implement and utilize E-2C Airborne Early Warning (AEW) and Command and Control (C&C) aircraft to support radar surveillance and communications over-flights for the Enforcement of Laws and Treaties Program to stem the maritime smuggling of contraband into the United States.

Background: The E-2C "Hawkeye", built by Grumman Aerospace Corporation of Bethpage, NY, is a twin-turboprop, all-weather, carrier based aircraft specifically designed as an AEW/C&C system. It has a substantially strengthened airframe to absorb the punishment of carrier catapult launchings and arrested landings. The current E-2C and its immediate predecessors have been in continuous operational service since 1965. The design mission of this aircraft is to detect unknown airborne targets over the horizon from the aircraft carrier task force, allowing sufficient time to achieve recognition of a high performance threat and initiate effective counter action. The operating characteristics, onboard equipment, crew training, and operating doctrine have been coordinated to maximize the effectiveness of this aircraft to this specific end.

To provide the maximum radar and passive detection radii possible, the E-2C normally operates at 25,000 -- 30,000 feet. Operating at lower altitudes reduces the detection ranges of all sensor systems on the aircraft. It also reduces an already limited endurance by increasing the fuel usage of the turbo-prop engines. Mission endurance at sea level would be reduced to approximately three hours vice the normal five if operated at altitude.

The current inventory of USN E-2C aircraft consists of 67 airframes while present requirements indicate a need for 113.

E-2C Squadron Assignments

All E-2C squadrons are assigned to specific airwings which are in-turn assigned to specific aircraft carriers. An airwing consists of two fighter squadrons, three attack squadrons, one electronics countermeasures/warfare squadron, one anti-submarine warfare squadron, one helicopter squadron and one E-2C squadron. The airwing operates and trains year-round as an integrated team whether deployed at sea with the carrier task force or during the in port periods. Presently, there are 13 operational aircraft carriers and 14 operational airwings (including 2 reserve wings). A 15th wing is being formed. Current E-2C/B squadron assignments are as follows:

E-2C Squadron	Aircraft Carrier
VAW 112	USS RANGER
VAW 113*	USS CORAL SEA
VAW 114	USS VINSON
VAW 115*	USS MIDWAY
VAW 116	USS KITTY HAWK
VAW 117	USS CONSTELLATION
VAW 121	USS EISENHOWER
VAW 122	USS INDEPENDENCE
VAW 123	USS AMERICA
VAW 124	USS NIMITZ
VAW 125	USS SARATOGA
VAW 126	USS KENNEDY
VAW 127 (To be established when Coral Sea transfers to East Coast)	

* Currently operate E-2B aircraft

Two Fleet Squadrons and two Reserve Squadrons will transition to the E-2C when aircraft become available. VAW 127 and VAW 78 (Reserve) will begin receiving aircraft during FY-83 (next 8 aircraft delivered). Two new squadrons will be established as required.

E-2C Utilization

The overall E-2C flight hour utilization rate is well above the programmed 420 hours per year per aircraft. The following figures are based on the average utilization rate of the 24 aircraft comprising the six existing East Coast Fleet Squadrons.

YEAR	UTILIZATION RATE
FY-82	612 hrs/yr
FY-83	636 hrs/yr
FY-84	588 hrs/yr (projected)
FY-85	648 hrs/yr (projected)

E-2C Fleet Squadrons, as a whole, are currently providing aircraft an average of 17 days per month in support of U. S. Customs Service interdiction efforts directed specifically at aircraft targets. No surface target information has been provided to the Coast Guard from these flights to date. These aircraft, and directed flight hours, are being provided at the direction of the Administration in support of the Vice President's Task Force on Crime in the Southeast United States. These flight hours are reflected in the above utilization rates. Any additional tasking of Navy E-2C assets would have an immediate negative impact on E-2C readiness, and hence, the Navy's ability to support the national maritime strategy. Classified messages are available that illustrate the impact of the current air interdiction support tasking on E-2C operations. (In an effort to ease distribution of this paper, all direct references to classified material have been omitted.)

Discussion: The Navy E-2C aircraft has been suggested as an existing national asset that could augment the Coast Guard's current fixed-wing maritime surveillance capabilities without the need to further expand the federal government's overall aircraft inventory while at the same time enhancing our national defense capability.

Use of the E-2C for the Drug Enforcement Mission

The narcotics interdiction portion of the Coast Guard's general law enforcement mission has been centered on our ability to detect, identify and ultimately intercept ships and boats smuggling contraband into the United States. To accomplish this, a coordinated strategy utilizing a combination of aircraft, vessels and intelligence data is now being employed.

The expected contribution of the E-2C to the Coast Guard would primarily be its capability of radar coverage of a large area for first level screening, i.e., initial surface target acquisition and tracking. This radar target information allows the law enforcement picket to initially prioritize the targets based on position, course and speed information. Identification and second level screening of suspected vessels would have to be accomplished by low level spotter aircraft or vessels working with the high altitude E-2C radar platform. The number of spotters required per E-2C would be a function of traffic density and percentage of vessels for which identification is desired. Both factors vary by regions, and are difficult to quantify without an in-depth statistical study of past traffic densities. For the purposes of this paper, it is assumed that a minimum of two spotters would be required with each E-2C, based on trend information gleaned from Operation Rake 1 (a classified E-2B operation conducted in 1979).

An expanded ability to acquire and identify surface targets (via E-2C aircraft) would provide additional intelligence data which could be correlated with other intelligence information to provide optimum deployment of Coast Guard cutters, the primary interdiction platforms. This could result in an estimated increase in interdiction effectiveness of 5% - 10%, for an overall total of 35% - 40% maritime interdiction rate for bulk marijuana, assuming levels of drug shipments experienced in the past. A significant increase in vessel interception and thereby drug interdiction if shipment levels are maintained as in the past, can only be achieved by the addition of cutters to intercept, board and seize smuggling vessels, and arrest the crews. Shuttle craft to ferry the seized vessels to port would also be required to allow the interdiction platforms to remain at sea. This could require 50 or more ships, including cutters, shuttle craft and patrol boats.

Use of "Coast Guard" E-2C's would also include support of the air interdiction mission of other civilian law enforcement agencies. Air interdiction is the design goal of the E-2C aircraft.

There are also strong indications that the increasing pressure has materially affected the overall level of maritime smuggling activity. The result of the continuous enforcement presence has been a drop in seizures. This is attributed, at least in part to the deterrant affect of having our forces in place. Intelligence sources confirm that source country shipments are down, and that a significant portion of the smuggling community is adopting a "wait-and-see" attitude, as to whether or not the efforts will be sustained over the long run.

Alternative Concepts for Coast Guard Implementation of the E-2C

In order to develop possible alternatives by which the Coast Guard could utilize the unique air interdiction capabilities of the E-2C for surface maritime surveillance, the following assumptions and estimates were made:

1. The search and surveillance capabilities of the Navy E-2C aircraft as currently equipped are as follows:

Search Width	Area Searched per Hour	Area Searched per Sortie (5.2 hrs)
200 nm.	85,000 sm.	357,000 sm.

The Passive Detection System (PDS) of the E-2C has a detection range of approximately 190 nm (distance to the horizon from 27,000 feet). It is not considered as a primary factor in current drug interdiction planning since intelligence indicates only intermittant use of emitters by target vessels while in transit. This capability is of much greater significance when used in the design role of aircraft target interdiction.

2. A comprehensive maritime law enforcement surveillance concept might involve searching as much as 300 million square miles per year. E-2C aircraft are capable of searching 85,000 square miles per hour, hence the number of E-2C mission flight hours required is equal to 300M/85,000 or about 3,500 E-2C mission flight hours per year.

E-2C flight hours would also have to be devoted to normal aircrew training and maintenance (test and ferry to overhaul). It is estimated that these flight hours would equal 20% of the total flight hours. Consequently, the total number of E-2C flight hours required equals 4,200 hours (1.2 X 3,500). Because it has been assumed that Coast Guard E-2C's will fly 600 hours annually, 7 dedicated aircraft would be needed. When a 14% support factor (standard for new Coast Guard HC-130 aircraft and consistent with current Navy E-2C overhaul schedule) is applied, a total of eight E-2C aircraft would be required.

3. The cost estimates associated with establishing a dedicated Coast Guard E-2C capability are based on recent Foreign Military Sales (FMS) of the E-2C to allied governments and the necessary facility and security requirements at the new Coast Guard sites. The cost estimates would not vary substantially whether they were borne by the Coast Guard, Navy or shared through collocation at existing Navy air stations. By collocating facilities, some outlays for support equipments may be reduced. All of the cost estimates are based on the following assumptions:

Asumptions:

a. Flyaway cost per E-2C is currently $40.5M.

b. Incremental cost per E-2C flight hour is $975.00 (includes fuel and direct maintenance, but not personnel and depot level support).

c. Four aircraft located at a single CONUS site. (Available cost data and operating doctrines universally reflect a squadron comprised of four aircraft.)

d. Aircraft located at site separate from existing Navy E-2C support.

e. Planned (Coast Guard) aircraft utilization would average 600 hours per aircraft annually.

f. On site contractor support would be required seven days per week for sensor system maintenance support.

g. Intermediate level supply support would be established at the site.

h. Personnel support facilities are available at potential sites.

Cost Estimates:

Item	$M AC&I	$M OE	Billets
Procure 4 E-2C's (Fly away)	$162.0	$ 7.5	218*
Aircraft support facilities	3.5	1.5	6*
Spares	36.0		
Ground Support Equipment	22.0		
Publications	0.5		

Item	$M AC&I	$M OE	Billets
Depot Level Support		3.5	
Contractor Services		2.0	
Training		28.0	
TOTAL	$224.0	$42.5	224

*Includes normal Coast Guard general support/training billet requirements, and unit level general service administrative/support billets.

4. The initial training and qualification period required to produce a fully integrated and coordinated E-2C flight crew is approximately two years. This includes basic pilot training/naval flight officer training and an additional six months to one year of actual flight operations together as a "crew" to reach what is considered "fully capable" status. Due to the more limited scope of the Coast Guard's maritime drug interdiction and search and rescue missions, as compared to that of the Navy's AEW/C&C missions, the initial training period might be shortened. The initial training required for Coast Guard maintenance personnel would not be any different from that provided to Navy personnel. All of the individual components comprising the sensor (weapons) systems of the E-2C must be kept intact and in good working condition if the aircraft is to be of value in case of a national emergency. Therefore, it must be assumed that Navy flight crews and maintenance personnel would be required for direct support of all Coast Guard E-2C operations for a period of about two years or until Coast Guard personnel are fully qualified. Depot level aircraft maintenance support would also be required from the Navy for an indefinite period.

Alternative 1

This alternative assumes that the Navy would provide the amount of E-2C flight time in support of the Coast Guard drug interdiction mission needs as described above (approximately 300 million square miles searched annually). It does not propose that the Navy transfer any of the existing E-2C aircraft to the Coast Guard inventory. The operational concept would be very similar to current Navy - Customs Service cooperation in the Southeast United States. To date, the Navy has employed a strategy of staging squadron aircraft to other DOD facilities, while keeping all existing supply, maintenance and command & control lines tied to the two existing E-2C bases (NAS Norfolk and NAS Miramar). It is assumed that the aircraft would be deployed to forward areas determined to be of highest priority at any one time. The coordination of the missions would be handled by the Coast Guard on scene commander while the operational conduct of the actual flights would be the responsibility of the Navy.

Advantages:

1. Air surveillance could be implemented fairly quickly.
2. The existing Navy E-2C support system does not have to be expanded beyond that already planned.
3. Fixed site costs are avoided and maximum mission flexibility is provided through the ability to respond to wide-spread geographic areas of interest concurrently.

Disadvantages:

1. Adverse impact on national security. Diverts the training and utilization of the currently limited inventory of E-2C aircraft and associated personnel from their primary role of aircraft carrier task force airborne early warning and command & control for carrier based strike aircraft. The E-2C's involved are the entire complement on two aircraft carriers.

2. Produce far greater number of surface targets than could be effectively investigated by existing Coast Guard ships and aircraft to differentiate smugglers from legitimate vessels.

3. To be effective, would require expensive, time-consuming procurement of additional vessels.

4. Substantial cost to the Navy if Navy had to procure additional E-2C's to replace Navy flight hours lost.

5. Assumes marijuana smugglers would not substantially alter their sources and routes.

Alternative 2

This alternative assumes that the Navy transfer eight E-2C aircraft to the Coast Guard. This would require total Navy support for at least the first two years (similar to Alternative 1). During this initial two years Coast Guard personnel (flight crews and maintenance personnel) would train with the Navy. At the end of this training/transition period, the Coast Guard would take over the entire operation.

To obtain the maximum flight hour benefits from each E-2C designated for primary Coast Guard utilization, permanent siting locations would be adjacent to the geographic areas of greatest interest. This approach dictates sites in both the Southeast and Southwest United States. Direct control of the missions and the E-2C resources would rest with the Area Commander, thus eliminating the need for daily coordination between the two services.

Advantages:

1. Provides the airborne surveillance resources to the Coast Guard to satisfy all anticipated, but not verified, drug interdiction mission requirements.

2. Enhances Coast Guard capabilities in the Search and Rescue (SAR) and Military Operations/Preparedness (MO/MP) Program areas.

Disadvantages:

1. Cost to provide additional support facilities at either an existing Coast Guard or Naval air station.

2. Operational flexibility more limited, as compared to Alternative 1, because the total number of aircraft (available to the Coast Guard) is more limited.

3. Diverts the training and utilization of the currently limited inventory of E-2C aircraft and associated personnel from their primary role of aircraft carrier task force airborne early warning and command & control for carrier based strike aircraft.

4. Requires an unprogrammed expansion of Navy training quotas and resources to accommodate both Navy and Coast Guard requirements.

5. The existing Navy E-2C support system has to be expanded to support an additional site.

6. Represents an unprogrammed increase in total national E-2C resource requirements.

Alternative 3

This alternative assumes that the Navy transfer four E-2C aircraft to the Coast Guard. This would require total Navy support for at least the first two years (similar to Alternative 1). During this initial two years Coast Guard personnel (flight crews and maintenance personnel) would train with the Navy.

At the end of this training/transition period, the Coast Guard would take over the entire operation.

Primary mission consideration would be given towards operations in the Southeast United States. Secondary consideration would be given to all other United States Coast Guard Headquarters.

Advantages:

1. Expands the capabilities of the Coast Guard to perform the drug interdiction mission.
2. Enhances Coast Guard capabilities in the Search and Rescue (SAR) and Military Operations/Preparedness (MO/MP) Program areas.

Disadvantages:

1. Adverse impact on national security. Diverts the training and utilization of the currently limited inventory of E-2C aircraft and associated personnel from their primary role of aircraft carrier task force airborne early warning and command & control for carrier based strike aircraft.
2. Cost to provide additional support facilities at either an existing Coast Guard or Naval air station.
3. Operational flexibility more limited, as compared to Alternative 1, because the primary maintenance support facility (Coast Guard) would be located in the Southeast U.S. or further south in the Caribbean Basin and the total number of aircraft is more limited.
4. The existing Navy E-2C support system has to be expanded to support an additional site.

Conclusions: Current estimates of maximum need for E-2C's is eight aircraft and two sites, to be constructed, at a total cost of approximately $533M. This alternative is unrealistic from a cost standpoint, especially since significant additional resources for vessels are required to make full use of E-2C's.

An alternative assumption would be to provide four aircraft and one site in the the Caribbean Basin, Southeast U. S. or at NAS Norfolk. This would provide coverage of the Southeast U. S. where smuggling activity is currently greatest. The maximum cost of this approach would be approximately $266.5M if completely new facilities were constructed. But, again, the need for additional Coast Guard vessels exists and costs are greatly in excess of 1/4 billion dollars.

All three major alternatives suffer the disadvantage of adversely affecting the national security posture by diverting these aircraft from their primary national defense mission. Additionally, in no case could the Coast Guard assume full operational responsibility of these resources without direct Navy support in less than a two year period.

As noted, in order to effectively utilize the vast increase in real-time intelligence data that these E-2C aircraft would provide, additional primary interdiction platforms and associated support facilities must also be provided. To do less would either grossly underuse E-2C capability (and waste significant funds) or require diversion of current Coast Guard resources and create problems where none now exist.

Recommendation: Because any of the alternatives would redirect the primary mission of the Navy E-2C aircraft from their current national defense role at an excessive cost, the Chief of Naval Operations and the Commandant of the Coast Guard do not support adopting any scheme that transfers or provides E-2C use by or for the Coast Guard.

AGRICULTURAL REPRESENTATIVE TO IMO

Admiral GRACEY. We are happy to have responsibility, Senator. I must say that I was a little disappointed when you said you did not plan to buy some because I thought I had a marvelous argument on how to get five C–130's. [Laughter.]

Senator ANDREWS. Well, I think that we will probably find out. This committee is not reluctant to get you the C–130's. The Navy has a bunch of those, too, sitting around. [Laughter.]

Admiral GRACEY. Can we go back to IMO, Senator? I think I am in trouble. [Laughter.]

Senator ANDREWS. I thought you might want to. Let me get these off on IMO and then I am sure my colleague from Florida is going to have some questions about drug interdiction, because he is much closer to it than I am.

I understand you participate in the IMO.

Admiral GRACEY. That is correct, sir.

Senator ANDREWS. Last week in London the IMO Subcommittee on Containers and Cargoes met. I understand that none of the members of the U.S. delegation represented agriculture.

Admiral GRACEY. Represented agriculture?

Senator ANDREWS. Agriculture. Is that correct?

Admiral GRACEY. I do not know, sir, I would have to find out.

Senator ANDREWS. This is one of the few ways I can get parochial about the Coast Guard.

As I understand also, within the first 2 hours of the meeting the issue of in-transit fumigation of grain was discussed. Subsequently, a working group on pesticides and in-transit fumigation was formed. Then a call was made to the United States to try to find a person knowledgeable on fumigation of grain.

The question comes up, why was not an agricultural representative scheduled for this delegation?

Admiral GRACEY. I do not know the answer, Senator. I am surprised that he was not because normally, when we send delegations over there, we try to touch all the bases that are going to be the subject of discussion.

Senator ANDREWS. I understand the coal industry had a representative on the delegation.

The question that I would like to have you maybe supply—you probably even know—what is the value of grain cargo exported from the United States compared to the value of coal cargo?

Admiral GRACEY. That is one figure I do not have right at my fingertips.

Senator ANDREWS. But you can guess what it is going to come down to.

Admiral GRACEY. I am guessing from the way it is phrased, sir, and come back to you that it is much greater for grain.

Senator ANDREWS. In fact, I might ask you, is there any export of this Nation that exceeds the tonnage or dollar value of the exports of grain?

Admiral GRACEY. I do know the answer to that one, sir. No; there is not.

FUTURE AGRICULTURAL REPRESENTATION AT IMO

Senator ANDREWS. That is right. The grain is the biggest in tonnage and the biggest in dollar value of exports of the country.

And then the final question is, Admiral, do you plan to have agricultural representatives on the IMO delegations in the future? [Laughter.]

Admiral GRACEY. I do not call the shots on everybody that goes there, sir. But you can jolly well bet we are going to push to have them there, yes, sir.

Senator ANDREWS. As I say, it is extremely difficult to be parochial with the Coast Guard. [Laughter.]

But I found out one way. It is not a matter of being parochial, Admiral, it is just a matter of commonsense. We have all kinds of problems in transiting our grain and fumigation is one of them; quality control is another one. A whole host of others, port handling of the vessel sizes relative to the port they are going to go into.

The Coast Guard plays an important part in this. When we have these international meetings, I was appalled when I heard the one a week ago had nobody representing the grain trade. I just would not be doing my job if I did not point out my concern to you.

Admiral GRACEY. It is possible, sir, that the subject was not on the agenda when they started and somebody laid it on. But you are absolutely correct, if we are going to talk about grain there should be an agricultural representative there.

Senator ANDREWS. And I cannot see how we can talk about an international or Inter-Governmental Maritime Organization without getting into a discussion of the major export commodity of this Nation.

Admiral GRACEY. You are correct, sir. But they have several sessions a year and they talk about specific subjects at each one.

Senator ANDREWS. And if there is some reason that they were not there at that specific meeting, I would be glad to know, too.

[The information follows:]

REASON GRAIN TRADE WAS NOT REPRESENTED AT IMO MEETING

The IMO meeting held in London February 21 to 25, 1983, had an agenda which addressed a substantial number of items which were of direct interest to the United States. In-transit fumigation was not scheduled for discussion and for that reason an expert was not included in the delegation. There was some confusion on the part of several other delegations about whether or not discussions on this topic were to take place. The problem was basically one of communication in that at the previous session of the subcommittee in February 1982, the topic of in-transit fumigation was tentatively scheduled for consideration at the February 1983 meeting.

The subcommittee's parent body, the Maritime Safety Committee (MSC), after reviewing their proposed agenda, directed the subcommittee not to consider, approve, or recommend any changes to the circular which addressed that topic, "Recommendations on the Safe Use of Pesticides on Ships (MSC/Circ. 298)." Based on the MSC mandate the United States decided we did not need a fumigation expert on the delegation.

At the working group meeting held in Washington in preparation for the February 1983 meeting, the Department of Agriculture made their view known that they were absolutely opposed to any changes concerning in-transit fumigation. The Coast Guard concurred with that view and in fact had made the proposal through the MSC that the subcommittee do no additional work on the subject. The delegation was instructed to: (*a*) Oppose the establishment of a working group on pesticides if one was proposed; (*b*) not participate in a working group if one was formed; (*c*) object to any recommendations from a working group if one was formed; and (*d*) inform the Department of Agriculture if the topic was discussed.

The formation of a fumigation working group was discussed during the first day of the February 1983 meeting. Evidently several delegations were not aware of the instructions from the MSC and had brought experts. Over U.S. objection a working group was formed without U.S. participation. It was instructed to merely take the paper submitted to this meeting as well as other older papers and organize them for the next session. They were not to prepare a report nor were they to discuss any technical matters. The Secretariat will issue a working paper for the next meeting and pesticides will be discussed at the 25th session of Containers and Cargoes Committee (BC) in February 1984. A pesticides expert will be requested for the delegation.

PATROL BOATS FOR DRUG INTERDICTION

Senator ANDREWS. Senator Chiles?

Senator CHILES. Thank you, Mr. Chairman.

Admiral, last year, on May 27, 1982, the Senate disapproved the deferral of the Coast Guard construction funds that the Congress had appropriated. Shortly after that date, on June 10, I wrote you to ask that the Coast Guard move ahead immediately to commit those funds, particularly funds associated with law enforcement activities in south Florida that were needed to stem the flow of illegal drugs into the country.

On June 17, 1982, the committee received a letter from Darrell M. Trent, the Deputy Secretary of the Department, indicating that certain listed projects would be pursued. The second and third items on that list were $36 million for six patrol boats and $2 million for shore support for these patrol boats.

Admiral, it has been almost 9 months since I wrote you regarding the sense of urgency that is felt in Florida in regard to the need to stem the flow of illegal drugs into the country.

In addition to that 9 months, of course, the Coast Guard knew well before that we were fighting for this money through the process. The administration several times tried to derail the money but we were able to—through the help of the chairman and other members—reject their proposal for deferring that money.

But in that regard, I wrote you again to seek that we expedite the procurement of patrol boats to the Caribbean operations. What is the status of that procurement effort and when are those patrol boats going to be in service?

PROCUREMENT PROCESS FOR PATROL BOATS

Admiral GRACEY. The status, Senator, is that we had a couple of false starts while we tried to pin down exactly what was available to us and what was the best way to go with the procurement.

Our first thought was that we should go with a two-step procurement in which we would only accept, first, a design that had been previously built, tried, and proven effective and, second, that it would be a builder who had built this sort of vessel.

The whole idea was to save us the agonies of going into a whole new class of vessel and, while the delivery of the first vessel might be slower, the ultimate receipt of the boats into effective service would be faster.

That was moving along and we found that there were going to be some problems with that process and we have now shifted to a different method of procurement. Some of the problems that are affecting the whole process concern the availability of manufacturers: whether there are manufacturers who can handle our contract; whether or not we need to go with a small business set-aside; and whether there are small businesses that are capable of meeting the criteria that we feel we need. As we moved along, we have had some changes in requirements.

So, this is the kind of story I know you have heard on previous procurements. It is not one that I am happy with and it is not one any of us are happy with. Part of it has to do with the Government procurement process. Part of it has to do with our pinning down what it was we were after.

I think you started off with the idea that we could go to a manufacturer—not a given manufacturer but some manufacturer—who was building a type of boat which would be relatively suitable. We could buy them off-the-shelf and make them suitable for our use.

Essentially, that is where we are. The type of manufacturer we are talking about is not your usual boatbuilder. Those craft simply will not stand up under the rigors of our service, so we just could not go that route.

So, in essence where we are at the moment is that there will be a notice, a second notice, in the Commerce Business Daily. It is being published today, as a matter of fact.

This is the second round of notices and we are hoping to have the contract out soon. We would like to think we are going to have the first boat operational before September 1. That depends on how lucky we are in getting bids; what kinds of tangles we get into with the Small Business Administration and others on the procurement technicalities. How rapidly we can move the procurement papers through the process.

I am sorry, I said September 1. September 1984 is the correct date, forgive me. That is where we are.

SOLE SOURCE PROCUREMENT

Senator CHILES. I think you are right, Admiral, I have heard this song before. I had hoped that I would not hear it from the Coast Guard. I had hoped the Coast Guard would be following this funding, really, with the same kind of sense of urgency that we in the Congress have been trying to give to this in trying to provide additional money for the Coast Guard.

Of course, the chairman of this subcommittee and I want to see that more money is provided for high priority areas. But here it is 9 months and we still do not even have the request for proposals on the street. It just seems to me that the sense of urgency that we have has not totally transferred to the Coast Guard in regard to trying to get something out there that will help do the job.

There are provisions in the procurement process. I certainly think that all of the history of this procurement would allow you to go sole source if necessary. While I do not think that is the best way to go in many instances, certainly this procurement would qualify for that if that were necessary.

I sure hope that we can see a faster track in this regard.

Admiral GRACEY. I hope we can keep it moving along too, Senator. I should point out that even if we were to go sole source, the first problem is to find the source. That has been our No. 1 problem. The kinds of boats that we feel we need have not been commonly built in this country.

We made a decision that perhaps was the wrong one, but at the time it seemed the right one for us to make—and I am convinced it still is—that we needed to have a tried and true design.

I would point out that we do have the three SES's on line and that was a sole-source effort. Even that took the better part of 10 months before the first vessel was delivered after we started the process, and that was an alltime record.

I have often said that if we really want to save a lot of money in this country, we ought to take a look at our Federal procurement process, it really is a "bugger."

I would also like to point out to you that we do understand the urgency and your concern, and we have really done quite a few things in the drug enforcement area. We have added a number of things in this process. So, we do understand and I hope that we will move quickly. We are determined to make it move as quickly as possible.

AC&I FUNDING FOR LAW ENFORCEMENT

Senator CHILES. I am looking at your budget, and when I look at the 1984 estimates I see in the enforcement of laws and treaties in 1984 there would be a decrease of $63,562,000 in the capital account. I know your operating funds are going up. Why would there be a decrease in your 1984 capital funds?

Admiral GRACEY. The reason for that, Senator, is that we are finishing up a number of programs that were aimed in that direction: the HU-25, the jet medium-range search and surveillance aircraft program will be wrapped up this year; the progress payments on the 270's have dropped this year because of the nature of the contract. So, all those things go together and make it look like a decrease. It does not mean we are decreasing the emphasis in the program. In fact, if you look at operating expense you will see it is up.

I can give you a rundown on some of the things that we have in there that are involved in our law enforcement program emphasis to give you an illustration, if you would like, or we can provide it for the record.

Senator CHILES. Do you think with the wrapping up of these initiatives that we have here that there is not going to be a need for continued emphasis in the capital construction for your law enforcement program?

SENSORS FOR VESSELS AND AIRCRAFT

Admiral GRACEY. No, sir, I do not think there will be. Well, let me qualify that. I think the emphasis will shift, it will shift into different kinds of things.

We will be needing to buy the sensor equipment for our aircraft. We will be needing to make the equipment that we have more effective, and that as the state-of-the-art develops and as our research and development program progresses, we will ultimately move these into the AC&I arena.

In terms of numbers of ships and aircraft, that will depend on developments in the program and we will come to the Congress for our requirements as they emerge.

We have been at a crossroads for the last couple of years. We have been at a point where some of these contracts are coming to a close. The Congress—bless you—has seen to it that we got increased funding to handle a number of these needs. Some of them were started years ago; the 270-foot vessel program, the HU-25 aircraft program, and our new helicopter program, and so forth.

These vessels and aircraft are now coming on the line. We are beginning to realize fruition. The HU-25 aircraft program has been going on for 10 years and we are delighted to see it end. We are delighted mostly because we are delighted to have the aircraft.

We have been laboring under great shortages of capability. We are also learning to go with sensors. We are learning to play smarter instead of harder. We are providing state-of-the-art equipment for the people who operate our facilities.

There is not a reason in the world that a person flying around in a C-130, for example, should have to be straining his eyes out a search window in this day and age. For example, I was in Gander, Newfoundland last week where we have our C-130 with side-looking radar on ice patrol. For years and years and years they have struggled and strained, and operated ships and did all kinds of things just to identify an iceberg. With the side-looking radar, they are now picking up growlers at something like 25 miles away.

You would not believe the morale of the crew and their confidence that they are doing the job well. Those are the kinds of things I think we need to shift our emphasis to in the AC&I arena once we are satisfied that we have the right number of hulls and aircraft. It is a constant reappraisal process.

ANTICRIME TASK FORCE INITIATIVES

Senator CHILES. The Coast Guard has certainly played an important role in the Southeast Florida Crime Task Force under the leadership of Vice Commandant Stabile who did an outstanding job in the Seventh District, and now under the command of Rear Admiral Thompson.

Improvements have been made. We see in 9 months of 1982 more marijuana was seized by the Coast Guard than in all of 1980 and 1981 combined.

Admiral, we are having some difficulty in getting any specifics on the administration's new crime task force initiatives. The President announced last October there would be 12 task forces and they would be funded at a level of $127.5 million. But since then there has been little information of how much funding would be provided for each task force and how much would be provided to each of the agencies.

What role will the Coast Guard be playing in the new drug enforcement task forces and how much of your 1984 funding have you dedicated to the Southeast Florida Crime Task Force?

REGIONAL TASK FORCES

Admiral GRACEY. I would like to answer that in two parts, sir. While we get out the figures on the second part about dedication of the South Florida Task Force, let me speak to the first question about the regional task force.

At present, we are committed to active participation in all the task forces except the one in Denver—I guess for obvious reasons. Each of those task forces is requesting our participation on an as-needed basis. One of the reasons that we are not in the middle with elbows flailing around is that the thrust of the different task forces is different. Some of them are concentrating on the investigative nature as opposed to the contraband-interdictive nature, which is essentially where our forte is.

Those that are in the investigative business at times need our assistance; our help and participation. In that case we stand ready to participate, and we do.

The Department of Justice has indicated that they plan to hand off some of the money that was appropriated or set aside for this program, about $2 million, to the Coast Guard.

Senator CHILES. $2 million?

Admiral GRACEY. Yes, sir, with perhaps another $1 million later on in the year.

But you must understand that our operation with most task forces is not generally in the same sense as our operation with the South Florida Task Force. It may be when we get into areas like Long Beach and Boston and some of those, that we will get into the interdiction level.

But my understanding is that, at the outset, it is primarily aimed at big crime, the money flow, all the various kinds of investigative features that are going on.

So, we are not a prime player at this point. That is not to say we are not still involved in interdictive activities off the coast. We do have a program which we are working up through the executive branch to propose a way to enhance and improve our capabilities in that arena. We are hopeful, if we are able to work it through, that will give us the ability to do more in areas outside of south Florida, the Southeast United States, because there are drugs moving in other areas too.

We have been very effective in the south Florida area and we have squeezed them out into other areas. We need to be able to move into these areas as well.

Now, for south Florida, the Southeast United States: Unfortunately we will have to give you the dollar numbers for the record, Senator, in terms of the breakout for the Southeast United States.

[The information follows:]

Funding for Drug Enforcement Operations

The amount of funding for fiscal year 1984 that will be dedicated to the Southeast United States is reflected by the allocation of our cutters, aircraft, and other resources to patrol that region. The costs of operating these resources are included in our fiscal year 1984 OE budget of $1,688 million. Of that total, about $359 million will be spent on enforcement of laws and treaties (ELT). I expect that during fiscal year 1984 about 37 percent of ELT, $133 million, will be spent in our seventh and eighth districts on drug enforcement operations, and another 7 percent, $25 million, on migrant operations in those districts. This is based on the allocation of ELT performance hours by resources as follows:

	Total ELT	SEUS drug	SEUS migrant
WHEC/WMEC	86,000	28,000	9,000
WPB	60,000	36,000	
A/C	19,000	6,000	3,000
Other cutter	9,000		

These hours are based on projections of previous years' resource hours, expected changes, and anticipated allocations. The dedication to law enforcement is not necessarily 100 percent since we utilize the patrolling cutter concept to accomplish multimission tasks, including response to SAR, or other marine incidents. The cost figures given represent the proportion of the total budget based on allocation of resources. They include overhead allocations and thus are not suitable for determining marginal costs for increasing or decreasing operations.

ADDITIONAL RESOURCES FOR SOUTHEAST DRUG ENFORCEMENT

Admiral GRACEY. But what I can tell you is that we have increased our high and medium endurance cutter patrols by a full cutter year. We have added two surface effect ships and ultimately will have three of these ships. We have transferred two medium endurance cutters to Florida.

We have money in this budget to repair and to continue the operations of the three ex-Navy tugs, the *Ute*, *Lipan*, and *Escape*, that we brought on a couple of years ago. We converted an oceanographic research vessel, the *Evergreen*, to a medium endurance cutter and we are using that in fisheries operations so we can free more suitable vessels for drug interdiction.

We have transferred three helicopters from other districts to Miami. We have six new HU–25's—that is the jet medium-range search aircraft—operational in Miami. We have three or four more operational at Mobile. We have staffed an intelligence center at our district office down there.

We are providing what we call TACLET's and LEDET's—a TACLET is a tactical law enforcement training team and a LEDET is a law enforcement detachment. They are going aboard naval vessels and other vessels of opportunity and are providing law enforcement teams and detection training for naval people and others.

We are in the process of buying WPB's, as you know, and we are going to add HU-25's to our station in Puerto Rico this year.

There are other things coming down the pike and there are other things in the operating expenses area that we are doing. So, I think our track record on supporting this operation is pretty good.

CONTINUATION OF SOUTHEAST LAW ENFORCEMENT EFFORTS

Senator CHILES. I think your track record has been very good. But it is interesting to note that you are giving me the same answer we are getting from every one of the agencies that have been operating in the South Florida Task Force. No one knows how much of their budget is supposed to be dedicated to the effort. We are trying to find out if the dismantling of the task force is underway. Is it supposed to be merged into the permanent 12? If not, what is the budget? We cannot find that out.

I look forward to your written answers in that regard because we have not been able to get that information from any of the agencies.

Admiral GRACEY. Senator, I can assure you that at the moment the Coast Guard part of this—I cannot speak for the other agencies—but the Coast Guard part of the operation is not being dismantled.

Senator CHILES. I am delighted to hear that. We hope that is going to be true for all of the other agencies. We think that the task force has done very good work and it has certainly changed the attitude completely of our people in the feeling as to whether they were being abandoned, with an invasion that was coming in. We are seeing now, of course, State government really revving up and trying to get into the act as well as the State and local police, and everyone else trying to play a part.

We would certainly hate to see that dissipated in any way.

STRATEGIC FLEXIBILITY IN DRUG INTERDICTION

Admiral GRACEY. One thing I think is very important, Senator, in addition to continuing the intensity, is to have the capability of providing some strategic flexibility rather than being pinned down to a standard format approach.

We should have the ability to move vessels and aircraft in and out strategically, maintaining the pressure. But the operational commander in the area should have the ability, and the area commander in New York who controls the whole eastern part of the country should have the ability to feint, move, engage in strategic warfare.

Senator CHILES. I do not disagree with that.

Admiral GRACEY. We are engaging in brute force at this point and I am not sure that it is totally cost-effective right now.

HAITIAN MIGRANT INTERDICTION

Senator CHILES. I do not disagree with that.

Going now to your Haitian interdiction operations. As you know, the President issued an Executive Order in September 1981 which officially commands the Coast Guard's participation in the Haitian interdiction program.

Last week Rear Admiral Thompson gave an update on this program before the House Committee on Government Operations at field hearings in Miami. Rear Admiral Thompson mentioned that 10 craft had been interdicted and 221 people had been returned to Haiti since the program began.

Those 221 people must have spread the word around because we only had 120 illegal arrivals last year compared to 15,000 in 1980.

What can you tell me, Admiral, about your plans to continue this program in 1984?

Admiral GRACEY. We plan to continue it, Senator. The funds to continue the program are included. There are some things that we have learned that we would like to take a look at. We are finding out that one of the beauties of this program is that it not only provides for the interdiction of the illegal immigrants, which was its purpose, but it also provides us a dual capability with drug enforcement in the immediate area.

It provides aircraft flying out of Guantanamo Bay and so forth to also pursue drug smugglers. We really do not know whether the program will continue or not; that is an Executive decision. But we are planning to have the funds in our budget to do so.

Some things that we have been able to do that will go beyond——

Senator CHILES. I liked it better before you got the note.

Admiral GRACEY. No; that note did not say anything about that. Just because I look at them does not mean I say them all, Senator. [Laughter.]

The staff has learned that I do not say everything they put in front of me. Sometimes I do not say the things they wish I would say, and sometimes I wish I had said what they told me to say.

TRAINING OF THE HAITIAN NAVY

One of the side benefits of all of this is that we have been working very closely with the Haitian Navy and the Haitian officials. I think the United States is gaining great credibility and the relationships between the two nations are growing.

Senator CHILES. How cooperative have they been?

Admiral GRACEY. Really very cooperative as far as the Navy is concerned. The Haitian Government, as I understand it, has also been very cooperative.

We do have a problem in that we probably need to take a look at how we are doing the training. Right now the Coast Guard ship that is deployed puts a training team ashore. I think we probably ought to be taking a look at perhaps putting a permanent detail ashore to train the Haitian Navy so we would have stability and so forth. But that is in the thinking process at the moment.

Senator CHILES. Thank you.

VALUE OF THE POLAR ICEBREAKING PROGRAM

Senator ANDREWS. Admiral, your polar icebreaker program is often referred to as a national asset because aside from vital military consideration in the polar region, this program also represents a unique resource for gaining access to the scientific wealth of those parts of the world.

From your standpoint, what is the value of the polar icebreaker program?

Admiral GRACEY. Well, in a very simplistic response. The value is that it provides United States presence in the polar regions—the Arctic and Antarctic. That was the basis, incidentally, on which the polar icebreakers were built.

When we submitted our budget request for that many years ago, it was denied. It is probably one of the alltime great short appeals. The appeal was;

> Mr. President, do you want the United States to have a presence in the Arctic and Antarctic, or do you not? That is the decision. If you do, build the icebreakers; if you do not, do not build them.

Obviously he did, and we do. Now I am talking about in the late sixties.

That is in essence what it is. The United States is bordered on the north by Arctic regions and we have a vital interest in the Antarctic region. So, the value of the icebreaking is that it permits us to be there.

Now specifically, it provides for oceanographic research—learning about these parts of the world. Learning what it means to us. It provides some defense capabilities—the ability to work with the defense interests, particularly in the Arctic.

It provides a platform for scientific experiments. It provides for support of things like the Early Warning Stations and other activities up there. They have to get their supply vessels in; likewise, in the Antarctic for the scientific program.

It provides a rescue capability for commercial vessels or naval vessels that get up there and get in trouble. There is some operation going on with commercial vessels, for example, going up to the North Slope. If one of them gets into trouble in the ice, there is really no way to get to them except by icebreaker.

ICEBREAKER REIMBURSABLE PROGRAM

Senator ANDREWS. Well, Admiral, you were directed, during fiscal year 1982, by the Office of Management and Budget to make polar icebreaker operations fully reimbursable by the user agencies.

What has been your experience with this reimbursable program?

Admiral GRACEY. Well, sir, it is not good. For many years we operated the icebreakers funded solely by the Coast Guard. Later on we worked on the basis of having the user agencies pay the out-of-pocket cost. We had a Memorandum of Understanding where they paid the variable costs from the time a vessel deployed above a certain latitude.

The present program is on a fully reimbursable basis—I understand the basis for wanting to try it but, frankly, it is no way to run a Navy. You simply cannot manage vessels of the magnitude and sophistication, and involving the gross investment that these do, and the kind of scheduling we have, on a year-to-year basis. You simply cannot do it.

You need to have the ability to know what the fleet is going to be and to manage and plan your funding for a long range in the future. Frankly, under the full user charge program I do not think that is possible.

I know I am speaking contrary to the established policy but, frankly, I think it is a bad program.

Senator ANDREWS. Well, it tends to fragment your resource allocation system; does it not?

Admiral GRACEY. That is exactly what it does. This year is a good example, with one of the user agencies deciding that they did not want to press for the funds that they had sought for Arctic research. In effect, we lost the ship. We lost the money to fund the icebreaker *Glacier* and her crew. Meanwhile, this is all happening while the *Glacier* is down at the Antarctic and is on the way home.

We had some key decisions to make and we have made them. But in essence it fits in all right because we are planning to put the *Glacier* into a major shipyard overhaul program anyway and we are going to go ahead with that. But we do not know what is going to happen in the year after that, that is just a gamble on our part. We do not know what the other agencies will do.

We simply cannot run this kind of a program subject to the year-to-year variations of other agencies.

Senator ANDREWS. Well, you cannot manage a program very well when you do not know from day to day which users are going to be there.

Admiral GRACEY. That is right. These are long-term assets. This is the only national capability to have any kind of U.S. presence in the Arctic or Antarctic. We might not have a need for them for 5 years but when we need them, we are going to need them bad.

It is like the firetruck or the parachute, there is no substitute.

Senator ANDREWS. It would be helpful, Admiral, if you could provide some details for the record on this program for reimbursement, funding projected icebreaker operations, so we will have it.

Admiral GRACEY. Yes, sir, we will.

[The information follows:]

PROGRAM FOR FUNDING POLAR ICEBREAKERS

Polar icebreaker costs are shared by the Coast Guard, National Science Foundation, Department of Defense, and through fiscal year 1983, the Maritime Administration. Costs are divided into two components: (1) Fixed costs, which include pay and allowances of icebreaker crews and supporting staffs, parts, maintenance of the ships and accompanying aircraft, and some fuel; and (2) deployment operating costs, which cover fuel and consumables used in the polar regions. Each user agency reimburses the Coast Guard for its share of fixed costs early in the fiscal year, and is charged for deployment operating costs as each deployment is completed.

The following operations are projected for fiscal years 1983 and 1984:

Fiscal year	Agency	Location	Planned days in operating area	Purpose
1983	DOD	W. Arctic	*39	Research.
1983	MarAd	W. Arctic	*14	Research.
1983	DOD	N. Atlantic	*37	Fleet exercise.
1983	NSF	Antarctic	*139	Research, logistics; 2 ships.
1983	DOD	W. Arctic	*25	Research.
1983	NOAA	W. Arctic	*30	Research.
1983	MarAd	W. Arctic	45	Research.
1983	DOD	N. Atlantic	9	Research.
1983	CG	N. Atlantic	11	International Ice Patrol support.
1983	DOD	N. Atlantic	18	Fleet exercise.
1983	DOD	Greenland	35	Logistics
1983	DOD	E. Arctic	50	Research.
1984	NSF	Antarctic	127	Research, logistics; 2 ships.
1984	CG	Antarctic	5	Research-ship design.
1984	DOD	E. Arctic	58	Research.
1984	DOD	E. Arctic	73	Logistics, research.
1984	DOD	N. Atlantic	18	Fleet exercise.

*Completed.

Estimated reimbursable costs of the polar icebreakers are shown below. The Maritime Administration has indicated that it will not participate in fiscal year 1984. One icebreaker (*Glacier*) will be decommissioned during most of 1984 while undergoing major maintenance work.

	Fiscal year 1983	Fiscal year 1984 estimate
National Science Foundation:		
Fixed costs	$12,416,000	$12,067,000
Deployment operating costs*	2,129,000	1,558,000
Total	14,545,000	13,625,000
Department of Defense:		
Fixed costs	9,060,000	8,698,000
Deployment operating costs*	2,416,000	1,180,000
Total	11,476,000	9,878,000
Maritime Administration:		
Fixed costs	4,515,000	
Deployment operating costs*	863,000	
Total	5,378,000	N/A

*Projected, based on planned operations.

REVOLVING FUND FOR ICEBREAKER REIMBURSEMENT

Senator ANDREWS. Maybe it would be a good idea to capitalize a revolving fund so that you could draw down from this checking account to manage your resources effectively, and then have the users reimburse the fund later. Would that sort of approach be beneficial?

Admiral GRACEY. I would want to think through the pitfalls if there are any on that one, sir. I would just say, any program that will give us a long-range certainty of some kind of stability of funding and the ability to provide crews, maintenance planning, and all of that, would be a solution.

Senator **Andrews**. You have people in your shop. After you give this some thought maybe you could provide for the record some bill language, a narrative that might do the job, so that at least we can review and see whether it looks like something we can use.

Admiral **Gracey**. Yes, sir, we will work with the Office of the Secretary on that one.

Senator **Andrews**. Well, do not get too confused by the Office of the Secretary. We are asking you for it because you can give us some stuff that might work.

Admiral **Gracey**. I do understand, sir. But you do also understand who my boss is.

Senator **Andrews**. I understand where your lines of communications go, Admiral. That is why we asked you the question direct.

Admiral **Gracey**. Yes, sir, we will provide it. We will work with you on it.

[The information follows:]

At the direction of the administration, an interagency user group, the polar icebreaking requirements study, has been formed to study long-term U.S. icebreaking requirements. As part of the study, the group will examine alternative funding arrangements including the revolving fund concept as suggested by the committee. The study should be completed prior to the end of the year and the results will be provided to the committee.

POST ARTICLE ON SAR CASE IN CHESAPEAKE BAY

Senator **Andrews**. I was concerned, the Washington Post on January 19 reported an incident in the Chesapeake Bay where three men died. The subheadline reads that rescuers were too late.

According to the article, the Coast Guard in its 24-hour response capability had a three-man search and rescue team on standby at the Thomas Point Station directly across the river from the incident. The Coast Guard never showed up.

The commanding officer at the station, according to the article, said the initial report indicated that the boat was in water too shallow for the only rescue vessel he had in service, a 41-footer, while a 17-foot shoal draft-rescue boat was out of service in a shed where it had sat for 2 weeks waiting for routine maintenance.

Local officials involved in the unsuccessful rescue were quoted as having expressed surprise that an agency with a top priority of search and rescue made no effort to send help.

This is a devastating article and I wondered if you could give us a more detailed explanation of the events leading up to the death of the three boaters, the Coast Guard response and responsibility, really, in the matter.

What actions have been taken as a result of the incident to prevent a recurrence of a lack of response capability, along with a concise statement of what would happen tomorrow if the same incident were to recur.

I used to have a boat out on the Chesapeake. I know that a lot of that water is pretty shallow. It is inconceivable to me that a Coast Guard rescue station would sit there for weeks without any capability of getting out of the rescue station to help somebody who was in trouble.

Admiral GRACEY. Senator, I am happy that you asked me the question because it was a devastating article and we are a pretty conscientious outfit. We do not like to feel that we have failed.

We did not fail in this case, even though it would appear that we did. First of all, let me give you a quick overall summary of what happened and then explain a little bit more about your comment about not having capability.

The Coast Guard station at Annapolis received a call at 7:28 p.m. that a boat was sunk in shallow water and the people were screaming for help. That is 7:28 p.m.

They immediately called the Maryland Natural Resources Police to see if they had boats operating in the area. This is standard operating procedure. We do not just scramble, leap in the boat and go charging out. We see first, is there somebody out there, because we do have very close working relationships with State and local authorities and other agencies. We always look first quickly to see if there is somebody there so we do not duplicate.

They were on their hotline with the Anne Arundel Country Rescue that had been notified 7 minutes earlier, at 7:21. They told us that they had shallow-draft vessels in the area and a Maryland State Police helicopter with a hoist capability was already airborne, and that Coast Guard assistance was not needed.

The Anne Arundel County Rescue people arrived on scene at 7:33—that is 12 minutes after they got their call; 5 minutes after our call was received. The Natural Resources Police were on the scene 17 minutes after that.

The people were removed and so forth, and unfortunately they died of hypothermia. Everybody was off the case, it was done and over with and the people removed 37 minutes after the first call was received. You just cannot do much better than that.

Unfortunately, we do not know how long the people had been there calling for help before somebody called us, before somebody called the police and said they were there.

But in terms of the timing, the first word anybody got was at 7:21. If they all died of hypothermia, they had to have been there a lot longer than that before somebody heard them yelling.

Senator ANDREWS. Of course, the inference in the article, Admiral, is that they were screaming for help across the river from your station and the casual reader, the reader of the article, would think that the Coast Guard personnel sat in the station listening to cries for help.

Later on, a radio request, communications request, was passed through your Annapolis station.

Admiral GRACEY. It was 4½ miles away, Senator, 4½ miles from our station.

I would like to speak briefly about your concern, Mr. Chairman, that we did not have the 17-foot boat available.

There has to be some time in the year when we lick our wounds and take care of our hardware. Generally the winter months are the times we do that because that is the time when the level of boating is down.

The only way to make sure that you always have a shallow-water boat available is to have at least two or more so that whenever one is in maintenance there is another one available. We just have not found many occasions when this sort of thing comes up to warrant that kind of activity.

So, what that was, was a routine maintenance period and we were relying on the other people with whom we had working relationships to handle shallow-water cases. They did, very effectively in this case.

Senator ANDREWS. I am sure you have seen the article.

Admiral GRACEY. Yes, Mr. Chairman, I did. We could have sent a 41-footer over there just to say that we had responded, but it was pointless. They were there and we were not going to get anywhere close to the scene. That would have been a show the flag effort that was pointless. That is why they did not send a boat.

NATIONAL RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND

Senator ANDREWS. In view of the fact that recreational boaters are now paying an additional 5 cents on top of the 4 cents they are already paying and are receiving no benefits from the Biaggi Act, what is your proposal to provide recreational boaters with a fair return on their contribution under the law?

Admiral GRACEY. The proposal for the 1984 budget, Mr. Chairman, is that we have asked for the full $15 million contracting authority that is allowed under the law. There is, as you know, a $45 million ceiling, one-third of which is available for boating safety programs and law enforcement. We have asked for that full amount in the 1984 budget.

Senator ANDREWS. I understand they were proposing to impound $30 million for boating facilities.

Admiral GRACEY. I do not know anything about impounding, sir. The arithmetic obviously is, the total figure is $45 million and there is $15 million that we have asked for. The remainder must be the $30 million that somebody is talking about.

That $30 million is earmarked for providing facilities, recreational boating facilities. That is not in the Coast Guard's bailiwick. So, it does not appear here.

Senator ANDREWS. But your figures are that boaters have now paid $45 million into the account without receiving a benefit provided for in the law.

Admiral GRACEY. No.

Senator ANDREWS. How much have they paid into the account?

Admiral GRACEY. It was something like $20 million. I do not know what it is as of today, under the new law.

Senator ANDREWS. Let me rephrase the question. What is the total amount that boaters now paid?

Admiral GRACEY. Under the Biaggi Act?

Senator ANDREWS. That is right.

Admiral GRACEY. It was about $20 million the last I heard. You are asking the total figure, are you not, Senator?

Senator ANDREWS. Sure. If you can provide that for the record.

Admiral GRACEY. Yes; we will provide it for the record.

Senator ANDREWS. Also, indicate what it will be at the end of the year with this new additional fee, the total accumulated funds that have gone in here.

[The information follows:]

The current balance in the NRBSFI fund is about $26 million. Based upon the increases in motorboat fuel taxes, which will take effect April 1, 1983, it is anticipated that the full $45 million will be realized by September 30, 1983.

BOATING SAFETY EQUIPMENT STANDARDS PERSONNEL

Senator ANDREWS. With regard to recreational boating safety, what has been the trend over the past 5 years in the number of personnel assigned to supervise the plans with minimum boating equipment safety standards?

Admiral GRACEY. You are talking about assigned within the Coast Guard?

Senator ANDREWS. That is right.

Admiral GRACEY. The trend in the last 2 years has been downward, Mr. Chairman.

Senator ANDREWS. Can you provide downward in what percentage?

Admiral GRACEY. Yes; I can but not off the top of my head.

Senator ANDREWS. Provide that for the record.

[The information follows:]

The boating technical program consists of developing standards; making manufacturers aware of Federal requirements; evaluating compliance, primarily through factory visits and boat testing; and enforcing manufacturer fulfillment of responsibilities to both build boats complying with regulations and to correct any safety defects. The basic system of Federal boat construction standards and regulations has now been established. The number of personnel assigned to this program at Coast Guard headquarters and districts has been reduced by a little more than half over the past 5 years, from 57 to 27, partially as a result of the completion of standards and improved efficiency in the program.

BOATING SAFETY STANDARDS FACTORY INSPECTIONS

Senator ANDREWS. What has been the trend over the last 5 years in the number of factory visits to insure compliance with Product Safety Standards?

Admiral GRACEY. I can provide that for the record, Mr. Chairman.

I do not have the figures for the last 5 years available and I will provide those for the record. But I can tell you that our estimate for this year and for next year is down about 25 percent from last year.

Senator ANDREWS. Even though the recreational boaters are paying more in, they are getting less out.

Admiral GRACEY. I would have trouble accepting that totally, Mr. Chairman. The number of factory visits has dropped off partly because we reduced the number of people in the program. Partly because of—I would like to think—that we are getting a handle on the safety program and that we have our standards pretty well established and the spot checking is working.

Senator ANDREWS. Provide whatever facts you can that would indicate that you are doing a better job of inspecting your product, shall we say supervision, what people are doing.

Admiral GRACEY. Yes; thank you, Mr. Chairman, because I was going to say, I would like to make sure that I am not whistling in the wind when I make that statement.

Senator ANDREWS. I think that it is a little bit of magic and we like to see magic because if it is working that way we could maybe use it as an example for some of the other agencies we run into from time to time in the appropriations process.

Admiral GRACEY. Well, it would not be the first time we pulled off a little magic.

Senator ANDREWS. Oh, no, no. It is highly necessary in this business. Particularly over in the Budget Committee we are looking for a little more magic.

Admiral GRACEY. I was thinking more of operational magic than fiscal magic.

[The information follows:]

The number of boat factory visits has declined by about one-third over the past 5 years, from 2,450 to 1,660. However, by being more selective in identifying factories to be visited, we have increased the efficiency of the program yet substantially maintained its effectiveness.

COMBAT CAPABILITY OF 270-FOOT WMEC'S

Senator ANDREWS. Admiral, the Coast Guard is buying 13 new 270-foot medium endurance cutters to replace part of their aging cutter fleet.

According to a March 1982 Coast Guard roles and missions study, the new 270-foot cutters will not be combat capable until the late eighties.

However, the Coast Guard is uncertain when or if it will receive the Navy weapons systems originally proposed for the cutters. Due to Navy budgetary constraints, the only weapons certain to be delivered with the cutters are the MK–75–76 mm gun, the MK–92 gunfire control system, and the SLQ–32 electronic warfare equipment.

Other Navy weapons systems identified for the cutter include the LAMPS MK–1 helicopter system, TACTAS, Cathoderay Sonar Detection System, the NIXIE Torpedo Decoy System, the Harpoon Missile System, the PHALANX Poseidon Weapons System.

Meanwhile, we are paying for the $163 million computer-based command display and control system to be installed on these cutters.

If the Coast Guard does not get the Navy weapons, what is the impact on your ability to fulfill your wartime mission requirements?

270-FOOT WMEC WEAPONRY

Admiral GRACEY. I would like to answer in two parts if I can, Mr. Chairman, first of all, to speak of weaponry and second to speak of combat.

The weaponry that we have aboard is basic to our peacetime mission and to provide early defense capability in the event of a wartime situation. The idea was to retrofit, as available, after mobilization. Our wartime mission for these vessels is being reviewed at the present between the Chief of Naval Operations and myself.

The COMDAC situation—that is the command display and control equipment that we have—is not solely for wartime use, it provides for ship control, navigation capability, a whole range of things that we need in peacetime. It gives us navigation maneuvering, collision avoidance, target tracking, target intercept, search and rescue, law enforcement, communications; all that is built into this COMDAC equipment.

We are not buying the software for weapons control. We are not going to do that until we are sure what the weapon suite is going to be—that we are going to actually get it.

So, the software we are buying and the hardware we are buying are designed to make this an effective operating vessel for peacetime.

Senator ANDREWS. Then, Admiral, what you are telling the committee is, when those vessels go out to sea under Coast Guard colors they will have that part, the electronics and communications, et cetera, materiel that will communicate with the chopper that goes up and all of that so that you can identify again the drug runners or the ship you are trying to rescue, or whatever else. That capability will be on board.

Admiral GRACEY. The communications capability to talk to the E-2C.

Senator ANDREWS. No; I am not even talking about the E-2C. Again, I am talking about a comparable matter, however. This is essentially going to be a military ship.

Admiral GRACEY. Yes.

USE OF COMBAT EQUIPMENT FOR PEACETIME MISSIONS

Senator ANDREWS. Some of the military operational equipment is not going to be on that ship in the early years. But are you assuring the committee that the type of military electronics that can be used in drug search and seizure, identifying airplanes coming in, identifying surface vessels, coordinating with the chopper that is up there and identifying over-the-horizon other vessels, all of that gear will be on the cutter?

Admiral GRACEY. Most emphatically, yes. We would not accept the ship if it were not. It would not be any good to us if we could not do that. We do that all the time.

Senator ANDREWS. In other words, when those new ships come on board you will have added capability because you will have upgraded electronics in those ships.

Admiral GRACEY. Yes; we will be able to do our job. The COMDAC situation and the related equipment is state of the art, it is today equipment.

Senator ANDREWS. And all of the parts for the equipment necessary to identify and interdict air drug traffic or sea-based drug traffic will be on those ships.

Admiral GRACEY. I am not sure about air drug traffic, Mr. Chairman, but certainly, sea-based. It will have the capability to work with our aircraft in rescue cases, law enforcement, and other mission areas, even part of what we anticipate will be the wartime mission.

Senator ANDREWS. Well, this finished ship, Admiral, does have extremely sophisticated capability to identify aircraft flying in the area.

Admiral GRACEY. That is correct.

Senator ANDREWS. It would be the committee's hope that that type of sophisticated equipment which can be so useful in your peacetime mission is not left off this ship for a good long time.

Admiral GRACEY. The ship does have air-search radar.

Senator ANDREWS. And it has the kind that will be most helpful in your mission, your peacetime mission.

Admiral GRACEY. I would have to check into what is the kind that would be most helpful.

[The information follows:]

Although not a separate air-search radar, the MK-92 fire control system contains an air-search mode that has a range compatible with peacetime mission requirements. This capability will be used for helicopter control, coordinating ship/helicopter operations.

Senator ANDREWS. Add to it for the record, and also tell us what actions you have taken to establish with the Navy a definite timetable for the delivery of the Navy weapon systems.

SCHEDULE FOR DELIVERY OF WEAPONS SYSTEMS

Admiral GRACEY. I can answer that part, Mr. Chairman. I would like to speak to one more point on the previous question, if I may. This ship was designed to perform our multimissions, and that includes law enforcement and search and rescue. They must have that kind of capability. So, it is there.

As far as the schedule with the Navy, I can tell you that the NAVGARD Board, the Navy-Coast Guard Board which Vice Admiral Stabile cochairs with the Vice Chief of Naval Operations, meets regularly. There are committees working regularly and this is one of the items on the agenda.

They have not yet pinned down a definite time as to when the weaponry would be provided or when we would have it. There is a plan to provide it at wartime, but who is to say when wartime will be?

Senator ANDREWS. Well, that is true. But you can understand, Admiral, when we heard that part of the electronic equipment and the rest that is to ultimately go on the ship was not going on it for some time, we wanted to make sure that none of the equipment that could help you in doing the job the Coast Guard has to do was being shorted off that ship because that just did not make any sense at all.

Admiral GRACEY. I appreciate that very much, Mr. Chairman, and I appreciate your concern.

Could you tell me what piece of equipment it was you heard that was not going to be on it?

Senator ANDREWS. We were told that various component parts of the ultimate electronic and fire-control systems and detection systems were not going to be installed on these ships until some years after the Coast Guard took delivery of them.

We wanted to qualify that knowledge, just what it is. Obviously, if it is the stuff that picks up an incoming jet-propelled missile, you are not going to need that—at least I hope you are not going to need it.

Admiral GRACEY. I hope we are not going to.

Senator ANDREWS. But if it is the sophisticated radar interface with the chopper that you would send up that could identify over-the-horizon surface craft and could identify number of airplanes, and whatnot, so that you could again direct whatever type of aircraft you were deploying, this would give you a valuable base station out there in the area that you wanted to explore.

Admiral GRACEY. We do have that equipment, Senator. There is limited capability. It is not the same sophisticated piece of gear that a naval ship would have in a battle group. We do not plan to go into that part of the world.

Among other things we are looking at is the provision of air cover for our vessels in a combat situation. That is part of the reason we are relooking at our wartime mission.

But in terms of the COMDAC equipment—and that may have been part of what you heard—there is the hardware of the COMDAC. But the software is being provided only for the navigation and that sort of thing and not for the weaponry that will ultimately be there.

So, that may be part of what you heard as well.

[The information follows:]

The current agreement between the Navy and the Coast Guard is to provide TACTAS, LAMPS I electronics, the NIXIE torpedo decoy system, the Harpoon missile system, and the Phalanx close-in weapons system upon mobilization. These weapon systems do not enhance our peacetime mission capability. Weapon system prepositioning and delivery is expected to be a topic of discussion at the next NAVGARD board meeting in April.

SUBMITTED QUESTIONS

Senator ANDREWS. I have a number of other questions, Admiral, that I will submit for answers for the record.

We appreciate your testimony here today. It was good to see you and your supporting group. We look forward to working with you, and I am looking forward to getting the report from you on April 15. Thank you for coming up.

Admiral GRACEY. Thank you, Mr. Chairman. We appreciate your concern. We look forward to working with you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

EFFECTIVENESS OF DRUG ENFORCEMENT

Sen. Andrews: How does the Coast Guard's marijuana interdiction program affect marijuana use? What would happen to the marijuana supply and price if the Coast Guard's marijuana interdiction program was terminated? Is 75 percent still your goal?

Response: Our present experience indicates that current interdiction rates have little effect on short-term marijuana supply and price because:

a. Many alternative supply sources and routes exist.

b. A long term effort is required to overcome stockpiles and pipeline supply that may negate short-term interdiction efforts.

c. Current interdiction rates still allow for a profitable business.

Interdiction rates alone do not represent the best indicator of an effective program aimed at limiting the supply of marijuana in our country. Moreover, the effect of the Coast Guard interdiction program cannot be determined independently from other agency actions. If the Coast Guard effort were unilaterally increased, other sources and supply routes would be utilized to a greater extent since their relatively low enforcement would make them the drug smugglers' preferred option. On the other hand, a uniform increase in enforcement across all sources and routes including domestic production, would have a more significant impact on overall supply of marijuana (and price). Current Coast Guard effort, netting about 30% of the maritime shipments, along with the emphasis on other interdiction modes, appears to be principally forcing source shifts to domestic production. If the Coast Guard's interdiction program were terminated, the maritime transportation mode would be virtually enforcement free. Rather than a specific Coast Guard interdiction goal of 75%, our long range goal is to increase our enforcement capabilities to the level where maritime shipments cease being profitable. If this is done in conjunction with increased enforcement activities targeted at land and air transportation modes, we estimate a substantial increase in our current national interdiction capability will occur. If done unilaterally, a greater seaborne interdiction capability would simply force smugglers to other product sources and transportation modes.

Senator Andrews: Does the Coast Guard's expensive efforts in at-sea drug interdiction effectively diminish smuggling, or just move it to different routes?

Response: Our experience indicates that the levels of pressure our at-sea interdiction efforts are applying causes some diversion of drug traffic to other routes. For example, Coast Guard patrols in the Atlantic Coast area north of South Carolina have experienced a 169% increase in vessels seized, a 452% increase in marijuana seized, and a 252% increase in persons arrested between CY81 and CY82. This is probably due in part to the smugglers' attempts to avoid the enforcement effort in the Florida area.

There are also strong indications that our increasing pressure has materially affected the overall level of maritime smuggling activity. During the period from Jan 1 - Mar 1, 1982 the Coast Guard seized 53 vessels for narcotics smuggling, and interdicted a total of 697,939 pounds of marijuana. During that same time frame (Jan 1 - Mar 1) in 1983, our forces seized only 15 vessels, carrying a total of 269,033 pounds of marijuana. The drop in seizures is attributable, at least in part, to the deterrent effect of having our forces in place. Our intelligence sources confirm that source country shipments are down, and that a significant portion of the smuggling community is adopting a "wait-and-see" attitude, as to whether or not we will sustain our efforts over the long run.

EMPHASIS OF COAST GUARD LAW ENFORCEMENT FUNCTIONS

Sen. Andrews: Are the Coast Guard's Law Enforcement functions currently being over-emphasized to the detriment of other missions?

Response: Coast Guard law enforcement functions are not being over-emphasized and represent a balanced approach in response to Presidential directives. Coast Guard resources deployed for law enforcement activities are "multi-mission" oriented. Cutters employed on law enforcement use a "patrolling cutter" concept for simultaneous general law enforcement and fisheries law enforcement activities, and provide an improved response for SAR and pollution incidents. Aircraft on law enforcement surveillance flights also frequently perform multi-mission tasks.

For instance, in calendar year 1981 high and medium endurance cutters deployed for law enforcement responded to 343 SAR incidents for a total of 5,984 employment hours. As a result, 519 lives were saved, 1,518 additional persons were assisted and property worth over $196 million was saved. Also, law enforcement resources frequently provide a faster response to SAR and pollution incidents since they are already underway and positioned closer to the incident. Response time is reduced since there is no crew recall delay and less transit time.

Boardings directly benefit several other Coast Guard missions. Coast Guard Cutters enforce all applicable U.S. laws. During boardings, domestic vessels are inspected for compliance with regulations pertaining to licensing and documentation; Safety of Life at Sea (SOLAS) equipment such as the number of personal flotation devices, fire extinguishers, navigation lights and shapes; pollution abatement equipment; as well as fisheries and other general regulations. Since implementation of the Magnuson Fisheries Conservation and Management Act when cutters started an active domestic boarding program in 1977 there have been noticeable improvements in the level of compliance with safety equipment requirements aboard fishing vessels.

Law enforcement activities also enhance the Coast Guards' National Defense posture by providing experience in mobile interdiction barrier patrolling and choke point control. Our presence serves as a stabilizing influence in key areas such as the Caribbean, the Bering Strait and in the vicinity of Cuba.

HELICOPTER PROCUREMENT DELAYS

Senator Andrews: Sixty-six percent of your current request for procurement of short range recovery helicopters is for contract escalation due to inflation. Exactly what is the inflation clause in your contract with Aerospatiale Helicopter Corporation?

Response: The HH-65A (SRR) procurement contract is a fixed-price with escalation type contract. Economic price adjustment (EPA) clauses are provided in the contract for the SRR helicopter itself, the reliability assurance warranty (RAW) associated with the basic SRR avionics package, and contractor provided SRR flight and maintenance training. Each EPA cost factor is a weighted average factor calculated for 15 semiannual periods commencing 1 JAN 79 using specifically identified Department of Labor indices appropriate to material and labor costs in the aircraft/engine/avionics industries. Distribution of the total work effort and therefore allocation of total escalation for each semiannual period was specified at contract award. Thus, the total economic price adjustment associated with the SRR procurement contract is a function of the inflation rate alone and is not increased by late delivery of the HH-65A.

Senator Andrews: Are any contractor-caused delays reflected in your request of $27,210,000 for contractor escalation?

Response: No. The total economic price adjustment associated with the SRR procurement contract is a function of the inflation rate as explained previously. It is not increased by late delivery of the HH-65A.

Senator Andrews: How has the delay in delivery of your new helicopters affected operations and costs? What is the current delivery schedule?

Response: The delay has adversely affected our operational capability. Currently, we are four HH-52A helicopters short of the number required to fill all authorized operational allowances. Because Search and Rescue (SAR) is our highest priority mission all SAR cases were answered. Other missions, especially law enforcement received less support than desired.

We estimate additional costs associated with operating the HH-52A one additional year to equal $1,515K, primarily because of the need for overhauls that would not have been needed if the HH-65A were on time.

The first HH-65A is scheduled to be delivered in October 1983. The current schedule calls for the delivery of one aircraft per month for the first six months, two aircraft per month through aircraft number 39, and three aircraft per month thereafter. The final aircraft is scheduled for delivery in December 1986.

SHIP MAINTENANCE PLANNING

Senator Andrews: Your budget justifications suggest that your ship maintenance programs (FRAM and SLEP) are incremental without a firm schedule that can be planned upon. Have you considered long lead-time contracts for renovations? What cost and program benefit might result?

Response: We have tentative schedules for both the 378′ cutter FRAM and the 180′ cutter SLEP. We cannot commit to firm schedules until the scope and timing of each year's program have been approved. Our FRAM schedule and costs as listed in our Capital Investment Plan (CIP) are presently based on awarding multi-year contracts for work at a commercial shipyards and long lead-time contracts for government furnished material. This has not yet been approved.

There are several significant advantages to multi-year contracts for the FRAM. These include improved logistics and maintenance support due to equipment standardization, and approximately a ten percent reduction in contract price over single-year contracts. The 180′ SLEP is being accomplished at the Coast Guard Yard, so the principal advantage to be gained here is procurement of the remaining long lead-time material to ensure standardization.

Senator Andrews: Provide detail for the record as to how improvements might be made in this.

Response: Important steps would be procurement of long lead-time material (LLTM) for all cutters to be renovated, along with a judicious use of the multi-year contracts approach wherever possible.

HUMAN RELATIONS POLICY

Senator Andrews: Please summarize your Coast Guard policy statement on Human Relations and provide a full copy for the record.

Response: I desire further development within the Coast Guard of a climate that is positive and supportive to all individuals, whether directly associated as regulars, Reservists, Auxiliarists and civilian employees or those with whom we come into contact while performing our duties. The policy is based on our tradition of service to our country and humanity as well as the mandated actions of Affirmative Action and Equal Employment Opportunity and must become an every day consideration of the immediate supervisors at all levels of the chain of command within the Coast Guard. This will logically lead to a healthier, stronger, better managed organization. The full text is as follows:

Human Relations Policy Statement

Background: I believe fervently in the principle of equal opportunity for all human beings - and I strongly support the objectives of the Equal Employment Opportunity Program. I cannot prescribe what you feel in your heart; I can only hope that you share my feelings about the importance of positive human relations and equal opportunity for ALL.

Personal Relationships in General: In day-to-day working relations I expect each and every person to be treated with dignity, warmth, courtesy, and respect. This applies to all Coast Guard people - regulars, Reservists, and Auxiliarists; military and civilian - and those with whom we come in contact in carrying out our duties. I expect the needs, wants and emotions of each person - male or female, military or civilian - to be considered by associates above, below and beside in the organization. I expect all will be given a positive, supportive climate in which they can do the very best of which they are capable, in which they will feel comfortable, needed and wanted, and in which they can grow and achieve according to their individual desires and talents.

Official Actions: Except for the specific standards required of military personnel, there shall be NO DISCRIMINATION in any aspect of recruitment, selection, advancement, providing career development opportunities or any other official responsibility because of RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX, AGE, or PHYSICAL or MENTAL HANDICAP. I am particularly intent on eliminating the destructive practice called SEXUAL HARASSMENT. All official actions shall be performed in full accord with the letter and spirit of this Policy Statement, the Affirmative Action Plan and the Equal Employment Opportunity Program (EEO). This is a fundamental United States Coast Guard Policy. It requires affirmative action throughout the Service to overcome the effects of past discrimination. I will enforce it. So will all my senior managers, supervisors, and officers.

In pursuing our goal of equal treatment for everyone, I expect and shall insist that all carry out their responsibilities on a basis of specific facts, not personal desires, background or feelings. Supervisors - military and civilian - shall apply the principles and specific requirements of EEO in selecting applicant [illegible] employment, promotion, recognition and training. They shall also be applied for adverse actions. Furthermore, supervisors shall encourage people they supervise to get work experience and specialized training to help them prepare for advancement. They shall insure personnel are given opportunities to so prepare - and they shall help them to do so.

Affirmative Action means just that - action. Equal employment opportunity cannot be merely a "neutral" policy. It requires goals to be set - and met. It requires programs that include measurements and evaluation factors like those used for our other programs. And it requires accountability to assure that affirmative action shares equal importance with our other goals. Such accountability is hereby established for each and every manager and supervisor, whether military or civilian - at all levels. Programs to achieve our affirmative action goals, incorporating accountability and responsibility shall be implemented and enforced by me and all my senior officers, managers and supervisors. Our Affirmative Action will affect all employment practices, including (but not limited to) recruitment, hiring, layoffs, terminations, promotions and training. Performance of civilian managers and officer and petty officer performance will be evaluated in terms of actions and achievements in accordance with this policy as well as our other goals, programs and missions.

Complaints and Counseling: I expect that problems in interpersonal relationships or perceived discrimination will be quickly and fairly resolved at the lowest possible level in our organization. Any person who feels he or she has not been treated in accordance with this policy or has been discriminated against because of RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX, AGE or PHYSICAL or MENTAL HANDICAP should request informal counseling from those designated to assist in such matters; or he or she should file a complaint in accord with established procedures. (Description of complaint procedures and identity of EEO Counselors and the Civil Rights Officers an Specialists shall be prominently posted in easily accessible locations). Reprisal, coercion or intimidation (direct or indirect) against complainants, their representatives or witnesses, is prohibited.

Any person who desires to do so has the right to discuss this policy or complaints of unfair treatment with appropriate members of my staff and then, if desired, with me. My door is open. I am anxious to do what I can to help.

Please join me in my determination and desire to make measurable progress in equal employment opportunity and affirmative action - and to make ours a pleasant, rewarding and positive organization in which to work - for ALL, military and civilian alike.

J. S. GRACEY
Admiral, U. S. Coast Guard
Commandant

Senator Andrews: What conditions led you to issue a policy statement on human relations?

Response: I believe very strongly that the quality and effectiveness of any organization derive from its people; and that its people must be made to feel comfortable and fulfilled to realize their full potential. In a small, close-knit, hard-working military service like the Coast Guard it is especially important that each and every person feel good about himself or herself and about their colleagues, their leaders and the Service as a whole. I issued the statement because I wanted my people to understand that and because, as the Commandant, I wanted to set the tone of my leadership style and show the way.

HEADQUARTERS ADMINISTRATION

Senator Andrews: Your workload projections are for marine environmental protection up 4%; enforcement of laws and treaties, up 8%; ice operations, up 2%; military readiness, up 3%; headquarters administration, up 24%. Is this an accurate representation of your current priorities? What is your reason for such an apparently massive increase in Headquarters Administration?

Response: There has been no massive increase in headquarters administration. The FY 1983 Headquarters Administration appropriation of $72.4 million covered only personnel costs and GSA standard level user charges, although $92.2 million was the actual full cost of all activities formerly being charged to OE for the administration of Coast Guard Headquarters. The FY 1984 budget request simply corrects the FY 1983 oversight and adjusts for the FY 1983 pay raise of $2.7 million and routine cost of living increases on the non-pay items.

HEADQUARTERS ADMINISTRATION APPROPRIATION

Senator Andrews: Why are you proposing to include the Headquarters Administration account under Operating Expenses for fiscal year 1984? Why is this preferable to maintaining two separate accounts?

Response: We have proposed this approach in lieu of separate appropriations for a number of reasons aimed at improving efficiency. Separate appropriations limit flexibility in resource management, lead to suboptimum decisions in allocating funds and refining organizational structure, and limit funding flexibility. A separate appropriation for Headquarters Administration (HA) will not achieve the apparent objective of improving cost control because of ambiguities and overlaps; e.g. HA does not include the AC&I, RT and RDT&E) funded personnel assigned to Headquarters. In addition, HA creates special problems in funding and accounting for a constantly rotating military personnel staff. Specific accounting for military salaries cannot be separated into separate appropriations. HA represents only a small percent of the total OE appropriation - approximately 6%, and an even smaller percent of our total budget. To properly segregate costs and administer a separate appropriation will require additional personnel and funds disproportionate to any perceived benefits.

ROTATION OF PERSONNEL

Senator Andrews: What is the annual cost of the rotation of Coast Guard Personnel? How many permanent change of station moves are there each year? How many of those are generated by Coast Guard mission requirements versus those generated by personal preferences?

Response: Historical information on permanent changes of station is as follows:

Fiscal Year	Amount ($000)	No of Transfers	Cost/Transfer
1980	$25,887	10,100	$2563
1981	$31,259	11,300	$2766
1982	$32,337	11,100	$2919
1983(est)	$34,725	11,200	$3100

In FY 1982, only 700 of the 11,100 transfers could be considered personal preference moves. These were primarily reenlistment incentive transfers, in which both parties, the Coast Guard and the individual benefited. The Coast Guard retained a valuable resource and the individual received a desired assignment. We anticipate these will remain at about the same level in FY 1983. The remainder of the transfers are mandatory, driven by such requirements as rotation to and from sea and isolated duty, school graduates, Academy and OCS graduates, retirements, and releases from active duty.

Senator Andrews: Have you looked at permanent change of station moves as an area for posssible budget savings?

Response: Yes. The FY 1984 budget request would allow $32,700,000 for permanent change of station moves. We anticipate approximately 10% fewer moves in FY 1984, mostly among junior personnel. This has resulted from management actions where we have extended tour lengths, and we predict greater retention rates. It is because of this that we can make such a forecast. Assignment decisions are always made with costs in mind.

PERSONNEL TRAINING

Question: Generally speaking, do sea-going Coast Guard personnel have sufficient ship-handling experience and training? Do search and rescue station personnel have sufficient boat-handling experience and training?

Response: Generally speaking, our ship and boat crews today do have sufficient experience and training. This is attributable in part to high retention rates, which have raised servicewide experience levels. Additionally, new training initiatives over the past two years, such as the National Motor Lifeboat School, the Navy's Officer Practical Shiphandling course and a four-week coxswain school, have enhanced the preparation of both ship- and boat-handlers for their responsibilities. Finally, servicewide policies are geared to giving junior officers increased shiphandling opportunities. We are also increasing their overall professionalism through stringent professional qualification standards, correspondence courses and pipeline training.

LAW ENFORCEMENT TRAINING

Senator Andrews: The recent strong emphasis on law enforcement missions requires additional trained personnel to act as unit training officers and as part of the boarding crews. What actions are you taking to increase the number and quality of your law enforcement trained personnel and what additional requirements do you foresee?

Response: The Coast Guard has implemented ashore and afloat readiness training standards which establish the required number of trained personnel needed at each station and ship with the maritime law enforcement mission.

We have reassigned personnel to instructor training (1 officer and 3 enlisted instructors for Maritime Law Enforcement

School (MLE)) and by the use of other training facilities such as the Modesto Junior College training program.

Our FY 1984 budget requests 24 additional personnel, 20 of which will be assigned to selected stations and group offices specifically for law enforcement training.

Our MLE School is currently operating at maximum output. Total impact of the rapid expansion of the ELT mission over the last 12 months on the training system's ability to satisfy increased needs is as yet undetermined. We are reviewing our existing training capabilities and are validating training needs and the numbers of personnel needed at units with the required ELT training.

RETENTION OF PERSONNEL

Senator Andrews: What is the current situation with regard to Coast Guard personnel retention rates? When do you expect to reach 100% of Career Manning Level?

Response: The Coast Guard's current reenlistment percentages are as follows:

	First Term	(Subsequent) Entitlements
All Paygrades	37.1%	81.7%

These figures are averages of the twelve months preceding 31 January 1983. At present retention rates, we expect to reach the 100% Career Manning Level overall by June 1985. At that point, certain ratings will be above while others will be below. We expect to continue to lose certain technically skilled personnel to industry and will remain below the 100% Career Manning Level in those specific skills.

CONTRACT OPERATIONS

Senator Andrews: What is the extent of private or contracted search and rescue operations, operation of LORAN stations, and aids to navigation activities? Provide specific detail for the record and tell us now about your future plans and expectations in these regards.

Response: Our policy is not to interfere with private enterprise in our search and rescue program. To the extent practicable the Coast Guard Auxiliary and the private sector are used for non-emergency SAR.

Towing policy is under review to ensure no competition with private organizations. Medical advisory services and medical evacuations for mariners are offered on a not-to-interfere-with-private-enterprise basis.

No contracts in SAR program exist or are planned. Remote aids to navigation are serviced through contracts with private organizations. Several LORAN and OMEGA stations are manned by foreign nationals and in some cases operated by those same nations. Experience has shown manning with foreign nationals to be much more expensive than operating with Coast Guard personnel.

Some aids to navigation services in isolated areas are contracted. This alternative is found cost effective when only a small number of aids must be serviced in a particular location. Generally the aids are not used by major maritime interests.

The ongoing Short Range Aids to Navigation Study (due to Congress this fall) is further investigating contracting Aids to Navigation Services.

A recent draft study on contracting out LORAN operations showed this alternative is not cost effective.

NON-EMERGENCY SAR

Senator Andrews: Should non-emergency search and rescue be done by the Coast Guard, the Coast Guard Auxiliary, or by the private sector?

Response: It should be done by all three. The Coast Guard provides SAR services under authority of 14 USC 88 and to fulfil U.S. obligations for several international treaties and conventions. Non-emergency SAR is not defined, but is generally accepted as cases with no threat to life or property. However, this determination cannot always be made prior to response by the Coast Guard and the arrival of a unit on scene. We believe that the Coast Guard (which includes the Coast Guard Auxiliary) and the private sector both have a role in responding to non-emergency search and rescue.

The Coast Guard has a long policy of not interfering with private enterprise. We do not plan to change that policy. However, private enterprise is not always available to provide this service. As a result, the Coast Guard must retain readiness levels capable of responding to cases where threat to life does exist and where commercial services for non-emergency cases are unavailable or inadequate. We also must perform some non-emergency SAR to enhance the training of our personnel.

VESSEL TRAFFIC SERVICES

Senator Andrews: What is your position as to whether Vessel Traffic Service (VTS) should be a private or federal function? What are the trade-offs and other considerations involved?

Response: VTS's manage vessel movements in selected ports, harbors and waterways to prevent accidental destruction, damage or loss caused by vessel mishaps, and to protect the marine environment. VTS's also assist in the safe transit of hazardous cargoes through these areas. The Roles and Missions Study recommended VTS operations be offered to State and local authorities although permissive legislation may be needed.

Some considerations and trade-offs include reduced Federal costs but increased costs at the state and local level, possible split jurisdictional responsibility, incomplete or overlapping legislative authority, responsibility for personnel training, and system liability. No matter who runs a VTS, the Coast Guard Captain of the Port must retain oversight and the authority to step in when necessary to discharge his responsibilities under the law.

ALTERNATIVES IN THE AIDS TO NAVIGATION PROGRAM

Senator Andrews: How many of your people are involved right now in the aids to navigation program? What consideration have you given to the range of alternatives in completing this work, such as contracting it out to a private industry?

Response: At present, there are approximately 5700 people dedicated to the aids to navigation program. The entire program is under active review considering such items as the number of existing Federal aids, alternatives for increasing productivity of buoy tenders, expanded use of Coast Guard civilians in operating the program, and the feasibility of the private sector to provide, maintain and service short range aids to navigation. Among the alternatives being considered are: (1) system alternatives such as different types of aids using advanced technology, and the use of alternative tenders; and (2) servicing alternatives including the use of civilian employees, and/or private sector contractors to operate our buoy tenders and service the aids to navigation. Within the servicing alternatives, we are also considering whether various areas are more conducive to such operations than other areas.

TRANSFER OF INLAND AIDS TO NAVIGATION TO CORPS OF ENGINEERS

Senator Andrews: Should the aids to navigation responsibility for inland waterways be transferred to the Army Corps of Engineers, who used to handle this, as some waterways users suggest? What are the arguments pro and con?

Response: The Corps of Engineers (COE) maintained aids on a section of the Lower Mississippi River for the Coast Guard - essentially as our contractor - in the 1940's, 50's and 60's. This procedure was phased out in 1970 in order to realize a savings in cost of approximately 35% by instituting Coast Guard maintenance in place of the COE operations.

Coast Guard aids to navigation vessels are multi-mission capable and are frequently tasked with assignments in other program areas. The elimination of all or part of the CG aids to navigation program would require additional resources in other program areas to maintain the present level of services and national defense capability.

A presumed advantage to COE involvement in aids to navigation servicing would be a continuity of local knowledge that long term civilian employees would possess. We have increased the tour lengths of all our personnel in these assignments from a standard tour of 2 to 3 years. In addition many are granted extensions of tours for 1 or more years so that we feel the military personnel who provide this service are highly professional and are fully familiar with the locales they are servicing.

I do not believe the inland waterway aids to navigation (A/N) function should be transferred to COE. It makes no sense to me to fragment the national A/N program. The Coast Guard has a total program infrastructure in place, and we are working out whatever problems may exist. Furthermore, the COE has a full plate now, and the Chief of Engineers has told me he does not want to add a part of the A/N program.

AIRCRAFT AVAILABILITY

Senator Andrews: It seems as though, typically the Coast Guard maintains three aircraft per location to maintain a very high availability rate for scramble purposes for Search and Rescue. What is the typical percentage of aircraft availability at such locations.

Response: The assignment of at least three aircraft is required if we are to meet our goal of responding to 98% of SAR cases within 30 minutes. Meeting this goal with only three aircraft is contingent upon us also meeting our goal of having aircraft availability average 71%.

The assignment of at least three aircraft is also needed to provide sufficient flight time to perform other Coast Guard missions, such as law enforcement, marine environmental response, and aids to navigation and for aircrews to maintain proficiency.

During FY82 aircraft availability averaged 65% throughout the Coast Guard. This means that, on average, an individual aircraft was operationally ready for flight 65% of the time. Under this constraint, statistically, an air station having three aircraft would have at least one aircraft operationally ready for flight 96% of the time, 2% below our goal.

Senator Andrews: What would be the change in that percentage availability with an average of two aircraft assigned rather than three aircraft? What would be the cost impact?

Response: Reducing the number of aircraft assigned to an air station from three to two in fiscal year 1982 would have reduced the probability of an aircraft being ready to respond to a SAR case from 96% to 88%.

The average cost to operate and maintain three HH-52A air stations in fiscal year 1982, exclusive of personnel and aircraft operating costs was $335.2K. The estimated average personnel costs for these air stations was $1,401.1K. The annual direct costs of operating and maintaining a HH-52A are estimated at $317.2K. Therefore, the average unit operating cost is estimated to be $2,687.9K. Because air station overhead costs would remain essentially unchanged, savings would accrue only from reduced numbers of personnel and reduced aircraft operations. These amount to $373.2K per unit or a 14% cost savings.

LEASING OF CAPITAL ASSETS

Senator Andrews: The Navy has reportedly begun leasing rather than buying some of its ships in deals that lower the apparent price of the vessels while giving large tax breaks to the private companies involved. The Air Force is reported to be considering following suit and leasing, instead of buying, 124 (executive-style) jets to replace aging T-39A Sabreliners. In effect these companies shared their tax savings with the Pentagon through lower prices and the Navy officials contend that the lease agreement results in a reduction of the costs of acquiring ships. What evaluations has the Coast Guard performed to see if this approach might be beneficial to the roles and missions of the Coast Guard? What plans do you have in this regard?

RESPONSE: Leases by the other Services appear to be for single purpose, logistic (non-operational) platforms of which the Coast Guard has few in its multi-mission inventory. As a general rule we do not lease operating platforms to meet recurring operational requirements. We do lease helicopters for off-shore transportation for marine inspectors. The primary place we use these aircraft is for inspecting oil rigs in the Gulf of Mexico in the Eighth Coast Guard District. Currently, we lease the equivalent of three (3) helicopters and crews per year to provide a scheduled service to off-shore platforms. These leases are handled through an existing aircraft leasing program run by the Department of Interior.

We lease operating platforms to meet special or limited operational needs. We lease special purpose vessels for individual missions on a case by case basis. An example of this would be leasing of a commercial barge for use during a major pollution incident for clean up purposes.

We have leased certain types of vessels to evaluate their capabilities to determine if they could adequately perform Coast Guard missions. We leased the Bell Halter built Surface Effect Ship DORADO from the U.S. Navy to conduct tests on that vessel's suitability for Coast Guard missions. This resulted in our purchase of three vessels of this type. We have also leased a hydrofoil vessel from an Italian concern in conjunction with the Navy and Urban Mass Transportation Agency to conduct an R & D investigation into the suitability of hydrofoils for Coast Guard opreations.

We are considering the lease of off-shore supply boats for use as shuttle vessels to escort ships seized in the Caribbean choke points in order to keep our cutters on station for longer periods. Currently, we often must vacate station in order to escort seized vessels to a U.S. port.

To the best of our knowledge, the U.S. Navy does not lease any combatant (operational) type vessels. Vessels leased are primarily cargo/tanker type vessels. The Coast Guard has no need for vessels of that type.

MILITARY VS. CIVILIAN PERSONNEL

Senator Andrews: How does the proportion of military personnel in the Coast Guard compare with the proportion of military personnel in the Navy? What is the relative mix of responsibilities? Have you taken a look to see which operating and support functions do not intrinsically have to be staffed with military personnel?

Response: In FY 1983 there were 1.8 military personnel for every civilian in a total Navy work force of approximately 870,000. In 1983 there were 6.5 military personnel for each civilian employee in a Coast Guard work force of approximately 45,340. The number of civilian personnel in the Coast Guard has been reduced by approximately 1,000 in the past five years. The average grade level of the Navy civilian work force is approximately GS 8 Step 6; that of the Coast Guard is GS 7 Step 8. One of the reasons why the Navy's military/civilian ratio is lower than that of the Coast Guard is that the Navy performs much more of its own logistics support such as aircraft component overhaul, contracting, and supply. These, and other, support functions contain a large portion of the civilian work force of DOD agencies. The Coast Guard, like the Marine Corps (military/civilian ratio of 9.3 to 1) relies upon DOD logistics and support forces for much of its support. Moreover, the DOD agencies have not made comparable reductions in their civilian employment.

Coast Guard civilian employees typically provide staff administrative and specialized technical support functions. Many maintain shore facilities. A large number work at the Coast Guard Yard and the Aircraft Repair Facility.

We continually review staffing to ensure the correct resource is used for support functions. Due to the relatively small size of the Coast Guard and its many units, however, we must be sensitive to the sea/shore ratios for our people, the need to provide apprentice-level training opportunities for our junior personnel, and the need for operational flexibility for our units.

Senator Andrews: What is the relative cost of a military position versus a civilian position in the Coast Guard? What are the differing points of view on this issue?

Response: The Coast Guard has not completed an exhaustive study of the relative cost of a military personnel billet versus a civilian position. To our knowledge, there is no definitive, generally agreed upon study on this subject for use by all in the Federal government. Differing points of view on this topic center about what costs to attribute to each category of personnel. How to account for military overtime, tours of duty in undesirable areas, and the difficulty in finding job descriptions which are congruent so that fair comparisons can be made also are stumbling blocks to agreement on relative costs. It is believed that, in order to accomplish many of the tasks performed by relatively junior Coast Guard personnel, we would have to hire civilian personnel who are more senior and more highly paid.

Senator Andrews: With regard to the proportion of civilian personnel in the Coast Guard, what is the offsetting collateral civilian activities which the Coast Guard may conduct by contract which the Navy does not?

Resonse: The criteria used by both the Navy and the Coast Guard in determining whether work must be performed by military or civilian personnel are very similar. In general, military personnel are being used in positions mandated by law; in command assignments at operational and support units; in positions involving the crewing or directing the operation of vessel or aircraft operations; on isolated duty assignments; in positions uniquely military such as recruiters; in positions specifically requiring military skill and knowledge; in positions required for military training or for broadening experience necessary for higher assignments; and in positions required for rotational tours following shipboard, overseas assignments, or isolated duty.

Civilian personnel are used specifically in positions requiring special skills for which there is no continuing military and/or law enforcement requirement; in positions requiring special skills that have only very limited service wide applications; and in positions not required to be military where it would be more cost effective to employ civilian personnel.

USER FEES

Senator Andrews: With regard to user fees, the Administration's 1981 proposal would have resulted in collections of $800 million per year, whereas your 1982 proposal would have resulted in $440 million per year. As far as I know, no one in Congress was willing to introduce such legislation. Your 1984 proposal estimates collections of $58 million for direct services. Please provide at this point in the record a detailed summary of your proposed user fee legislation.

Response: The revised legislative proposal for Coast Guard user fees is still under review by the Administration. No details of the proposal can be provided prior to formal submission to Congress.

NATIONAL RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT PROGRAM

Senator Andrews: Please detail the rationale of your proposal to rescind the recently appropriated funds for the National Recreational Boating Safety and Facilities Improvement Program.

Response: Subsequent to the fiscal year 1983 appropriation of $5 million budget authority from the National Recreational Boating Safety and Facilities Improvement Fund for boating safety under the "Biaggi Act", the Surface Transportation Assistance Act of 1982 was enacted, providing contract authority of $45 million, $15 million for boating safety programs. However, since Congress originally established $5 million as the appropriate level for boating safety assistance for fiscal year 1983 and since states are required to match Federal boating safety funds under the Act, at this late point in the fiscal year after both State and Federal budget plans had been set, it was not considered appropriate to seek a higher funding level. The rescission proposal then merely substitutes contract authority in place of budget authority to maintain the $5 million FY83 level for boating safety assistance. Our FY 1984 budget requests the full $15 million portion for boating safety programs in contract authority.

BOAT DOCUMENTATION

Senator Andrews: What can be done to speed up the processing time for boat documentation? If this would involve additional costs, what would those costs be, at alternative goals for turnaround time? What might the resultant impact on user fees be?

Response: On 1 July 1983, Ports of Documentation will be consolidated into 15 regional offices to lower overhead costs and facilitate installation of a computer support system. Consolidation will allow the transition from a decentralized, labor intensive system to a centralized, capital intensive system. This sytem will improve internal management efficiency and the level of service to both the commercial and yacht documentation public. The end result, a centralized, automated vessel documentation system coupled with the simplified procedures and mailing services afforded under the Documentation Act of 1980, in effect since 1 July 1982, will offer the following advantages to the public:

a. Reduction and eventual elimination of service backlogs which will mean faster service.
b. Full exploitation, through automation, of the advantages offered by simplified forms, processing and mailing procedures.
c. Enhanced uniformity of interpretation and application of vessel documentation laws and regulations.
d. More efficient utilization of manpower and greater productivity through task assignments on the basis of specialization and expertise.
e. Costs avoided by the Coast Guard Commercial Vessel Safety Program and reduced cost of the vessel documentation program.

Since yacht documentation fees are based on actual costs of carrying out the program, any reduction in costs would be reflected in future fee schedules.

YACHT DOCUMENTATION

Senator Andrews: Explain who benefits from yacht documentation and what its role is in the Navy's "vessel of opportunity" program.

Response: The Vessel Documentation System is the national registration program which serves to establish a vessel's nationality, eligibility to engage in certain employments, and eligibility to become the subject of a preferred ship's mortgage. By having a federally established document of nationality, a U.S. documented vessel visiting foreign ports enjoys the distinction of being a sovereign part of the United States and is protected as such. The owner of the documented vessel benefits from all aspects of the system. Others such as banking industry, lenders, and lawyers also benefit but banking primarily.

Vessels documented include commercial vessels such as fishing, passenger, towing, pilot, tanker, barge and others. Yachts make up a small percentage of the vessels listed within the System. The Vessel Documentation System's role in the Navy's "Craft of Opportunity" program is to have the capability to identify those vessels which, because of certain characteristics retrievable from the system's computer files, are potentially suitable for use in mine countermeasure operations. The system has already been used in identifying nearly 3000 such vessels.

ACCIDENT INVESTIGATION ACTIVITIES

Senator Andrews: What steps have you taken to transfer more of your accident investigation activities to the NTSB?

Response: The Coast Guard and the National Transportation Safety Board (NTSB) signed a Memorandum of Understanding (MOU) on 28 September 1981 and published joint regulations on 14 October 1982 which reflect the provisions of the MOU. As a result, the NTSB will investigate all collisions between a Coast Guard vessel and a non-public vessel involving at least one fatality or $75,000 in property damage. Also, when the Commandant and the Chairman agree, the NTSB will conduct the investigation of certain major marine caualties that involve significant issues relating to Coast Guard safety functions.

Budget Comparisons

Senator ANDREWS: Please provide a table for the record showing the total budget for the Coast Guard, FAA, FBI, Customs, DEA, and Navy for the time period 1973 through 1983 in actual dollars and percentage increases. Also relate constant and current dollars to show real growth over a similar time frame and include comments on changes in your missions tasking.

Response: The budget comparisons are included in the following table and narrative statement:

BUDGET AUTHORITY
(DOLLARS IN MILLIONS)
CURRENT DOLLARS AND CONSTANT 1972 DOLLARS
COMPARISION OF COAST GUARD TEN YEAR BUDGETS

YEAR	CURRENT DOLLARS	PERCENT OF CHANGE	CONSTANT DOLLARS	PERCENT OF CHANGE
FY 1973	$820.2		$784.1	
FY 1974	802.6	-2.1	716.0	-8.7
FY 1975	933.6	+16.3	755.3	+5.5
FY 1976	1,105.9	+18.5	840.3	+11.3
FY 1977	1,307.8	+18.3	933.5	+11.1
FY 1978	1,424.0	+8.9	947.4	+1.5
FY 1979	1,547.0	+8.6	956.1	+0.9
FY 1980	1,717.9	+11.0	959.7	+0.4
FY 1981	2,034.8	+18.4	1,003.8	+4.6
FY 1982	2,525.8	+24.1	1,147.6	+14.3
FY 1983	2,465.5	-2.4	1,063.6	-7.3
10 YEAR INCREASE	1,645.3	+200.6	279.5	+35.6

The Coast Guard does not have access to detailed budget data of other Government agencies for the past 10 years. However, the changes in mission and tasking for the Coast Guard are as follows:

In recent years, the Coast Guard has continued to experience changes in missions, in the form of new responsibilities authorized by the Congress and shifting patterns of workloads. In 1964, passage of the Bartlett Act of 1964 expanded enforcement of U. S. fisheries laws within the 12-mile limit. The Magnuson Fishery Conservation and Management Act of 1976 expanded fisheries enforcement further by creating the 200-mile fishing zone and giving the National Marine Fisheries Service and the Coast Guard broad enforcement over both foreign and domestic fishermen.

Since 1962, the Coast Guard search and rescue activities have doubled due primarily to a steadily increasing recreational boating population. However, during the 1970's an increase in illegal drug smuggling by sea lead to additional interdiction efforts by the Coast Guard. In 1973 the Coast Guard seized six marijuana-laden vessels; in 1981 it seized 164 vessels. Recent increases in illegal alien immigration by sea have also resulted in additional Coast Guard activity to enforce the immigration laws.

In the last decade, increasing public concern for the protection of the environment has prompted legislation increasing Coast Guard activities in port and environmental safety, commercial vessel safety, and marine environmental response. Some of the more notable mandates are: the Water Quality Improvement Act, the Federal Water Pollution Control Act, Ports and Waterways Safety Act of 1972, Deepwater Port Act, Outer Continetal Shelf Lands Act and the Port and Tanker Safety Act of 1978. Also, during this same period the Coast Guard was able to reduce operations in other missions areas. Technological improvements allowed the Coast Guard to discontinue the Ocean Station program in the early 1970's, reduce the number of its buoy tenders from 125 in 1969 to 87 in 1981, eliminate all but one lightship station, and phase out the entire LORAN-A radionavigation chain; shifting from direct funding of the icebreaker program to reimbursable and assuming responsibility of Medical funding for active duty and retired personnel.

[CLERK'S NOTE: Subsequent to the response to this question, the following information was requested and provided:]

COMPARISION OF COAST GUARD AND OTHER AGENCIES BUDGETS

BUDGET AUTHORITY
(DOLLARS IN MILLIONS)
CURRENT DOLLARS AND CONSTANT 1972 DOLLARS

AGENCY	FY 1973	FY 1974	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	10 YEAR % INCREASE/ DECREASE
IMPLICIT PRICE DEFLATOR......	1.046	1.121	1.236	1.316	1.401	1.503	1.618	1.79	2.027	2.201	2.318	
COAST GUARD:												
CURRENT DOLLARS.........	820.2	802.6	933.6	1,105.9	1,307.8	1,424.0	1,547.0	1,717.9	2,034.8	2,525.8	2,465.5	+300.6
CONSTANT DOLLARS........	784.1	716.0	755.3	840.3	933.5	947.4	956.1	959.7	1,003.8	1,147.6	1,063.6	+35.6
FEDERAL AVIATION ADMIN:												
CURRENT DOLLARS.........	2,271.0	1,633.3	1,738.3	1,928.1	2,564.2	2,784.6	3,145.2	3,269.0	3,412.4	3,156.7	4,180.5	+184.2
CONSTANT DOLLARS........	2,171.1	1,457.0	1,406.4	1,465.1	1,830.3	1,852.7	1,943.9	1,826.3	1,683.5	1,434.2	1,803.5	-16.9
FEDERAL BUREAU OF INVEST:												
CURRENT DOLLARS.........	357.3	395.4	449.5	486.0	513.4	554.0	584.5	614.3	674.5	772.6	853.3	+238.8
CONSTANT DOLLARS........	341.6	352.7	363.7	369.3	366.5	368.6	361.2	343.2	332.8	351.0	368.1	+ 7.8
CUSTOMS:												
CURRENT DOLLARS.........	297.2	360.5	465.6	529.8	601.3	642.8	679.1	736.3	589.0	598.5	653.3	+219.8
CONSTANT DOLLARS........	284.1	321.6	376.7	402.6	429.2	427.7	419.7	411.3	290.6	271.9	281.8	- 0.8
DRUG ENFORCEMENT ADMIN:												
CURRENT DOLLARS.........	74.4	112.5	135.7	155.0	168.2	188.3	193.7	200.5	215.3	242.7	255.5	+343.4
CONSTANT DOLLARS........	71.1	100.4	109.8	117.8	120.1	125.3	119.7	112.0	106.2	110.3	110.2	+54.9
NAVY:												
CURRENT DOLLARS.........	22,928.3	27,417.6	25,347.6	28,717.6	33,478.4	36,300.1	38,840.8	43,639.1	53,727.2	63,348.6	74,896.4	+326.6
CONSTANT DOLLARS........	21,920.0	24,458.2	20,507.8	21,821.9	23,896.1	24,151.8	24,005.4	24,379.4	26,505.8	28,781.7	32,310.8	+47.4

SOURCE FOR CURRENT DOLLARS: Annual budgets of the United States Government.

The Coast Guard does not have access to detailed budget data of other Government agencies for the past 10 years. However, the changes in mission and tasking for the Coast Guard are as follows:

In recent years, the Coast Guard has continued to experience changes in missions, in the form of new responsibilities authorized by the Congress and shifting patterns of workloads. In 1964, passage of the Bartlett Act of 1964 expanded enforcement of U. S. fisheries laws within the 12-mile limit. The Magnuson Fishery Conservation and Management Act of 1976 expanded fisheries enforcement further by creating the 200-mile fishing zone and giving the National Marine Fisheries Service and the Coast Guard broad enforcement over both foreign and domestic fishermen.

Since 1962, the Coast Guard search and rescue activities have doubled due primarily to a steadily increasing recreational boating population. However, during the 1970's an increase in illegal drug smuggling by sea lead to additional interdiction efforts by the Coast Guard. In 1973 the Coast Guard seized six marijuana-laden vessels; in 1981 it seized 164 vessels. Recent increases in illegal alien immigration by sea have also resulted in additional Coast Guard activity to enforce the immigration laws.

In the last decade, increasing public concern for the protection of the environment has prompted legislation increasing Coast Guard activities in port and environmental safety, commercial vessel safety, and marine environmental response. Some of the more notable mandates are: the Water Quality Improvement Act, the Federal Water Pollution Control Act, Ports and Waterways Safety Act of 1972, Deepwater Port Act, Outer Continetal Shelf Lands Act and the Port and Tanker Safety Act of 1978. Also, during this same period the Coast Guard was able to reduce operations in other missions areas. Technological improvements allowed the Coast Guard to discontinue the Ocean Station program in the early 1970's, reduce the number of its buoy tenders from 125 in 1969 to 87 in 1981, eliminate all but one lightship station, and phase out the entire LORAN-A radionavigation chain; shifting from direct funding of the icebreaker program to reimbursable and assuming responsibility of Medical funding for active duty and retired personnel.

Senator Andrews: Please detail for the record, for fiscal years 1983 supplemental and 1984, your budget request to the Department, the Department's Coast Guard request to OMB, along side side of the President's budget request to Congress.

Response: The following tables provide the Coast Guard's three stage budget request for 1984 and the fiscal year 1983 supplemental:

U. S. Coast Guard
1983 Supplemental Requests included in the FY-1984 Budget
Three Stage Budget Request
($000)

	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
For Pay Increases (by appropriation):			
Operating Expenses/Headquarters Administration...	$ 31,101	$ 31,101	$ 15,278
Acquisition, Construction, and Improvements.................................	628	628	...
Reserve Training.................................	1,805	1,805	...
Research, Development, Test and Evaluation.................................	212	212	...
Offshore Oil Pollution Compensation Fund.................................	11	11	...
Yard Fund.................................	792	792	...
Total for pay increases...............	$ 34,549	$ 34,549	$ 15,278
Other:			
National Recreational Boating Safety and Facilities Improvement Fund..................	$ ...	$ ...	$ -5,000 1/

1/ Denotes requested rescission. Request for appropriation to liquidate contract authority in the amount of $5.0 million not included.

DEPARTMENT OF TRANSPORTATION
U. S. Coast Guard Fiscal Year 1984 Three Stage Budget Request
($000)

APPROPRIATION	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
Operating Expenses..........................	$ 1,744,084	$ 1,713,697	$ 1,687,542
Acquisition, Construction, and Improvements..........................	685,000	453,427	378,600
Alteration of Bridges..........................	22,700	13,200	13,200
Retired Pay..........................	351,900	351,900	341,300 1/
Reserve Training..........................	59,079	56,106	54,805
Research, Development, Test and Evaluation..........................	25,000	25,000	22,000
National Recreational Boating Safety and Facilities Improvement Fund			
Appropriation..........................	5,000	5,000	0
Contract authority..........................	...	...	45,000 2/
Offshore Oil Pollution Compensation Fund..........................	1,000	1,000	1,000
Deepwater Ports Liability Fund.............	1,000	1,000	1,000
Oil Pollution Fund..........................	7,000	7,000	7,000
Gift Fund..........................	80	80	80
Total..........................	$ 2,901,843	$ 2,627,410	$ 2,551,327
Full-Time Permanent Positions 3/			
Military..........................	40,794	39,555	39,289
Civilian..........................	6,040	6,209	6,174

1/ Excludes proposed legislation to omit 1984 cost-of-living adjustment.

2/ Contract authority enacted on 1-6-83 in P.L. 97-424. Use of contract liquidating authority proposed to be limited to $15 million.

3/ OST and OMB figures adjusted for comparability.

DEPARTMENT OF TRANSPORTATION
U.S. Coast Guard Fiscal Year 1984 Operating Expenses
($000)

ACTIVITY	USCG REQUEST 1/ TO OST	OST REQUEST 1/ TO OMB	PRESIDENT'S BUDGET
1. Search and Rescue	449,559	443,522	436,066
2. Aids to Navigation	376,843	374,145	369,321
3. Marine Safety	129,835	129,015	127,260
4. Marine and Environmental Protection	165,563	160,708	159,507
5. Enforcement of Laws and Treaties	378,175	364,873	359,038
6. Ice Operations	62,588	61,298	58,106
7. Military Readiness	87,911	86,526	84,634
8. Headquarters Administration	93,610	93,610	93,610
Total	1,744,084	1,713,697	1,687,542

1/ Adjusted to include Headquarters Administration as indicated and the following:

Pay raise	15,669
PHS Administration costs	2,230
Transfer FMC vessel/owner certification responsibilities	798
Total adjustments	18,697

DEPARTMENT OF TRANSPORTATION
U.S. Coast Guard Fiscal Year 1984 Acquisition, Construction, and Improvements
($000)

PROJECT	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
I. Vessels:			
A. Acquire vessels and equipment:			
1. 270-foot Medium Endurance Cutter (WMEC) Procurement	72,000 1/	14,000	14,000
2. 110-foot Tug (WYTM) Replacement	32,800	32,800 2/	...
3. 55-foot Buoy Boat (ANB) Procurement	11,133	5,600	5,600
4. Ship Training Detachment (STD) Replacement	1,600	1,600	1,600
5. Three River Tenders (WLR) for Second Coast Guard District	14,650	...	...
6. Cable Boat Replacement	10,200	...	...
7. Academy Navigation Simulator	2,780	2,780	2,780
B. Repair, Renovate, or Improve Existing Vessels and Small Boats:			
1. 378-foot High Endurance Cutter (WHEC) - Fleet Renovation and Modernization (FRAM)	111,000	41,000	23,938 3/
2. 210-foot Medium Endurance Cutter (WMEC) - Fleet Renovation and Modernization (FRAM)	24,000	24,000	24,000
3. Seagoing Buoy Tender (WLB) Service Life Extension Project (SLEP)	61,000	19,285	19,285 4/
4. Inland Construction Tender (WLIC) Barge Extension	2,450	2,450	2,450
5. USCGC PRIMROSE Barge Modifications	460	460	460
Subtotal, Vessels and Small Boats	344,073	143,975	94,113
II. Aircraft:			
A. Acquire New Aircraft and Increase Aviation Capability:			
1. Medium Range Search (MRS) HU-25A - Support	8,340	7,894	7,894
2. Procure Short Range Recovery (SRR) Helicopters (HH-65A)	41,390	41,390	41,390
3. Maintain Long Range Search Capability - Ph II.	64,500	67,600	67,600
4. Automatic Test Equipment for Avionics Repair Facility - Ph III	573	573	573
5. HU-25A Sensors - AIREYE Integration	18,981	18,981	18,981
6. HC-130 Forward Looking Airborne Radar (FLAR)	2,000	2,000	2,000
Subtotal, Aircraft	135,784	138,438	138,438

1/ Revised downward by Coast Guard to $14,000K due to lower than anticipated contract escalation costs.
2/ One replacement vessel subsequently funded in FY 1983 ($17.5 million).
3/ Additional $8.0 million to be funded by Navy.
4/ Two buoy tender SLEPS subsequently added in FY-1983.

Acquisition, Construction, and Improvements (cont'd)

PROJECT	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
III. Shore Facilities and Aids to Navigation:			
A. Acquire, Repair, Replace, Renovate, Improve and Support Existing and Future Shore Based Facilities and Aids to Navigation:			
1. Support Center Kodiak - Administrative Center.	12,860	...	...
2. Minor AC&I Shore Construction Projects........	12,500	9,170	9,170
3. Waterways Aids to Navigation Projects.........	10,000	7,500	7,500
4. Relocate the Gulf Strike Team (GST)...........	3,758	3,758	3,758
5. Training Center Petaluma - Contruct General Classroom Building......................	9,500	9,500	9,500
6. Lighthouse Automation and Modernization Program (LAMP).............................	7,700	3,800	3,800
7. Remote Operating Systems (ROS) for LORAN Stations..................................	2,200	2,200	2,200
8. Air Station Borinquen Expansion...............	1,085	1,085	1,085
9. Air Station Cape Cod Hangar Construction......	2,500	4,000	4,400
10. Minor Aids to Navigation Solar Power Conversion...............................	2,600	2,600	2,600
11. Cape Cod Medical Clinic......................	4,050	4,050	... 1/
12. Training Center Petaluma - Construct Student Officer and Chief Petty Officer Quarters.	5,344	3,900	3,900
13. Pensacola, FL - Rebuild Station.............	4,650	4,650	4,650
14. Solid State Transmitters - Site Preparation..	1,800	1,800	1,800
15. Comminications Station Kodiak - Equipment Replacement.............................	7,455	7,455	7,455
16. Base Galveston - Replace Industrial Facility.	6,964	6,964	6,964
17. Marine Safety Office (MSO) Delaware River Basin Facilities - Ph I..................	6,461	6,461	...
18. Venice, LA - Establish Station...............	3,000	3,000	3,000
19. Public Family Quarters.......................	7,174	7,174	7,174
20. Aids to Navigation Facility (ANFAC) Peoria - Update Operational Facilities............	1,598	...	...
21. Expand ADP Capability........................	7,000	9,000	9,000
22. Communications/Radio Station High Frequency (HF) Transmitters........................	3,200	3,200	3,200
23. Command, Display, and Control (COMDAC) Support Facility - Ph II.................	2,200	2,200	2,200
24. Rebuild Station and Group New York...........	1,890	1,890	1,890
25. Winchester Bay, OR - Expand Station Umpqua River.................................	2,805	2,805	2,805
26. Rebuild Station Curtis Bay...................	2,080	2,080	2,080
27. Base Honolulu Bulkhead and Wharf - Ph I......	680	680	680
28. Base Charleston - New Shops and Paint/Blast Facility..............................	3,802	3,802	3,802
29. Establish Station Crisfield..................	2,430	2,430	2,430
30. Coast Guard Yard - Sewer Main Connection.....	1,200	1,200	1,200
31. Air Station Barbers Point Corrosion Control Building..............................	665	665	665
32. Cordova Seasonal Search and Rescue (SAR) Facility..............................	3,500	3,500	3,500
33. Support Center New York - Logistics Support Facility - Ph III.....................	1,200	1,200	1,200
34. Establish Station Gulfport...................	3,900	3,900	3,900
35. Improve Station Sandy Hook...................	700	700	...
36. Generator Sets for LORAN Stations Attu and St. Paul, AK............................	1,500	1,500	...

1/ Subsequently funded in FY 1983.

Acquisition, Construction, and Improvements (cont'd)

	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
37. Support Center Elizabeth City - Acquire Clear Zones	1,068	...	...
38. Station Humboldt Bay Waterfront Facilities	1,450	1,450	1,450
39. Support Center Boston Development - Ph II	6,574	6,574	... 1/
40. Support Center Boston Development - Ph III	6,080	6,080	...
41. Support Center New York - New Fire House	1,307	1,307	1,307
Subtotal, Shore Facilities and Aids to Navigation	168,430	145,230	120,265
IV. Administration and Survey and Design:			
A. Administration and Engineering Logistics	30,053	19,124	19,124
B. Survey and Design of Various Facilities	6,660	6,660	6,660
Subtotal, Administration and Survey and Design	36,713	25,784	25,784
SUMMARY AC&I:			
Subtotal Vessels and Small Boats	344,073	143,975	94,113
Subtotal Aircraft	135,784	138,438	138,438
Subtotal Shore Facilities/Aids to Navigation	168,430	145,230	120,265
Subtotal Administration and Survey and Design	36,713	25,784	25,784
TOTAL	685,000	453,427	378,600

1/ Subsequently funded in FY 1983.

DEPARTMENT OF TRANSPORTATION
U. S. Coast Guard
Fiscal Year 1984
Alteration of Bridges
($000)

BRIDGE NAME:	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
1. Illinois River, Peoria, IL (Peoria & Pekin Union RR)	10,000	10,000	10,000
2. Point Pleasant Canal, Point Pleasant, NJ (New Jersey DOT Hwy 88)	12,700 1/	3,200	3,200
Total	22,700	13,200	13,200

1/ $7.9 million subsequently included in FY 1983 appropriation.

DEPARTMENT OF TRANSPORTATION
U. S. Coast Guard
Fiscal Year 1984
Reserve Training
($000)

ACTIVITY	USCG REQUEST TO OST	OST REQUEST TO OMB	PRESIDENT'S BUDGET
1. Initial Training	$ 5,259	$ 4,667	$ 4,412
2. Continuing Training	31,209	30,347	30,542
3. Operating and Maintenance of Training Facilities	12,005	11,094	10,741
4. Administration	8,801	8,193	7,305
Subtotal	$ 57,274	$ 54,301	$ 53,000
5. Pay Raise Requirement	1,805	1,805	1,805
Total	$ 59,079	$ 56,106	$ 54,805
Selected Reserve Strength	12,500	12,000	12,000

CAPITAL IMPROVEMENT PLAN

Senator Andrews: Please detail for the record your capital improvement plan for the next five years.

Response: Details for the Coast Guard Capital Investment Plan for 1984-1988 follows:

UNITED STATES COAST GUARD
CAPITAL INVESTMENT PLAN
1984-1988

INTRODUCTION:

In order to provide for both the present and projected needs, a detailed Capital Investment Plan for the acquisition of cutters, boats, aircraft and shore facilities has been prepared, and is provided herein. It is emphasized that the data lists potential projects for Coast Guard planning purposes. The plan covers the period 1984 through 1988 and identifies capital procurements needed to continue the performance of present missions and to renovate or replace the backlog of old and inefficient existing facilities. The Capital Investment Plan is a statement of the needs of the Coast Guard in priority order -- it is not a budget document. Therefore a complete audit trail with the President's budget should not be expected. The recommendations of the Roles and Missions Study have been considered in its preparation.

The costs are in FY 1984 dollars and represent the latest estimates by the appropriate Operating and Support Program Managers. Current Capital Facility Plans for boats, cutters, aircraft and shore facilities were used in part in preparing the Capital Investment Plan. These facility plans are derived from Operating Program Plans (OPP). The Coast Guard recently has implemented important changes in the OPP development process, consistent with the recommendations of the Roles and Missions Study, but these changes have not yet produced updated operating program plans or the derivative new Cutter, Aviation and Shore Plans. A number of projects are listed as "best estimates" of scope and timing because either program needs are in the early stages of Coast Guard analysis or DOT/Administration approval has not yet been obtained.

Unit costs were used throughout the plan with no attempt to adjust such costs for possible multi-year contract awards or inflation. The total program costs of a procurement are listed in the particular budget year without regard to long-lead-time material that is often funded in anticipation of a major procurement, or follow-on items such as those involved with the outfitting of a new cutter or aircraft. Some follow-on costs are included for procurements that were funded prior to 1984 which will require additional funding during or after 1984. Because of these considerations, the costs shown are approximate -- but they are considered to be of sufficient accuracy to be used for general planning purposes. This plan is dynamic and will change as each stage of the budget is completed or as new unforeseen high priority projects are identified.

Cutters that are to be procured may have an additional cost shown for shoreside support. This cost represents an estimate for waterfront and support facilities where such are required. Site-specific cost estimates are used when the homeports are known, otherwise less accurate estimates are included. Aircraft procurements also may require additional funds to build or modify hangars and to provide new or additional support equipments.

Shore projects are specifically identified in the plan. This is a departure from past plans that identified levels of shore plant funding. Shore projects in the near years (FY 1984 and FY 1985) are documented with well founded cost estimates. Projects in the FY 1986 to FY 1988 time frame are in the early stages of documentation and cost estimates generally have conceptual not engineering detail. Therefore, project scope and total costs are more subject to adjustment.

The Capital Investment Plan is presented in a somewhat different format from previous editions. First, a summary page is provided showing FY 1984 and the out-years for the major acquisition categories, i.e. vessels, boats, aircraft, shore facilities and administration. Summary pages are also included for each acquisition category. Lastly, priority lists by project are provided for each budget year from FY 1984 through FY 1988. On each out-year priority list a line is drawn at the latest Administration targets for AC&I in the out-years.

5 YEAR AC&I PROJECT SUMMARY

Project	FY84	FY85	FY86	FY87	FY88
Subtotal Vessels	85.7	310.4	262.7	274.3	259.1
Subtotal Aircraft	138.4	101.7	134.0	166.8	166.8
Subtotal Boats	5.6	7.6	7.1	15.1	31.1
Subtotal Shore & Aids to Navigation	123.0	147.2	172.0	128.7	125.2
Subtotal Survey and Design/ Administration Engineering and Logistics	25.8	31.0	31.0	31.0	31.0
GRAND TOTAL	378.5[1]	597.9	606.8	615.9	613.2
Icebreaker Replacement				200.0[2]	260.0[2]

Note 1: Actual FY 1984 level is $378.6M. Difference is due to rounding.

Note 2: An interagency study is being convened to determine future federal icebreaking program requirements through the 1990's. This data shows preliminary estimates based on Coast Guard planning. Assumes three ship multi-year contract buy at $300M/ship with a four year construction period. Capability between present Wind Class and Polar Class.

CUTTERS (FY84 $000)

G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
270' Medium Endurance Cutter (WMEC) Escalation/Support	14000	63300	34000	20600	
* 378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM)	(1) 23938	(2) 79100	(3)105000	(3)105000	(3)105000
210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability	24000	(2) 26000	(4) 26000	(4) 26000	(4) 26000
* Seagoing Buoy Tenders (WLB) Service Life Extension Program	(2) 19285	(2) 21200	(2) 21200	(2) 21200	(1) 10600
Inland Construction Tender (WLIC) Barge Extensions	2450				
Ship Training Detachment Replacement	1600				
CGC PRIMROSE Barge Modifications	460				
* 140' Icebreaking Tug (WTGB)-110' Tug (WYTM) Replacement		(2) 39000	(1) 19500	(1) 19500	(1) 19500
River Buoy Tender (WLR) Procurement		(2) 9800			
Mid-level Patrol Craft (WPC) Procurement NOTE /1/		(3) 42000	(3) 42000	(3) 42000	(3) 42000
Renovate/Reengine CGC STORIS		30000			
Patrol Boat (WPB) Replacement NOTE /1/			(3) 15000	(8) 40000	(8) 40000
Governors Island Ferryboats					(1) 16000
Sub Totals:	85733	310400	262700	274300	259100

NOTES: /1/ Initial cost estimate prior to conceptual design.

* Out-year estimates preliminary. Project undergoing further analysis/review.

AIRCRAFT (FY84 $000)

G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
Medium Range Search (MRS) Aircraft HU-25A Support	7894				
Short Range Recovery (SRR) Helicopters HH-65A Escalation/Support	41390	28500	8200		
* Maintain Long Range Search (LRS) HC-130 Aircraft Capability	(5) 67600	(3) 46200	(3) 46200 /1/		
Elizabeth City, NC-Automatic Test Equipment for AR&SC	573				
AIREYE Integration (HU-25A Sensors)	18981				
HC-130 Forward Looking Airborne Radar (FLAR)	2000				
Forward Looking Infra-red (FLIR) Sensors		18000	18000		
Active Gated TV (AGTV) Procurement		(6) 9000	6000 /2/		
Medium Range Recovery (MRR) Helicopter Replacement--Note /3/&/4/			0 (4) 55600	(6) 83400 (6) 83400	(6) 83400 (6) 83400
Sub Totals:	138438	101700	134000	166800	166800

NOTES: /1/ Funding to exercise an option for final 3 to bring number of C-130's to 25.

/2/ Spare Parts.

/3/ Final program scope not yet approved. Cost estimate is based on currently available heavy lift helicopters in the MRR category.

/4/ Incremental priority -- indicates funding above and below OMB target level.

* Out-year estimates preliminary. Project undergoing further analysis/review.

BOATS (FY84 $000) G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
Buoy Boat Replacements	(6) 5600	(6) 5600			
Aids to Navigation Cable Boats -- Note /1/		(1) 2000	(1) 2000		
30' Utility Boat (UTM) Replacement -- Note /1/			(8) 4000	(8) 4000	(8) 4000
Trailerable Aids to Navigation Boat (TANB) Replacement--Note /1/			1100	1100	1100
32' Ports and Waterways Boats (PWB) Replacement -- Note /1/					(12) 6000
Motor Lifeboat (MLB) Replacement -- Note /1/				(5) 10000	(10) 20000
Sub Totals:	5600	7600	7100	15100	31100

NOTE: /1/ Initial cost estimate prior to conceptual design.

SHORE FACILITIES (FY84 $000) G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
Portsmouth, VA-COMDAC Support Facility Equipment PH II	2200	1900	4000	8300	2000
Minor AC&I Shore Construction-General Projects	7455	4000 /1/	4000 /1/	3500 /1/	4000 /1/
		1500	1500	2000	1500
Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1715	1000 /1/	1800 /1/	900 /1/	1300 /1/
		1500	700	1600	1200
Waterways Aids to Navigation Projects	7500	5000	5000	5000	5000
Mobile, AL-Gulf Strike Team Relocation	3758				
Petaluma, CA-Training Center Petaluma Classroom Building	9500				
Lighthouse Automation and Modernization Program (LAMP)	3800	2900 /1/	4000 /1/	3500 /1/	3500 /1/
		2100	1000	1500	1500
Remote Operating Systems (ROS) for Loran Stations	2200				
Aguadilla, PR-Air Station Borinquen Expansion (HU-25A)	1085				
Falmouth, MA-Air Station Cape Cod Hangar Construction (HU-25A)	4400				
Minor Aids to Navigation Solar Power Conversion	2600	1900	1300		
Petaluma, CA-Training Center-Student Officer and CPO Quarters	3900				
Pensacola, FL-Rebuild Station Pensacola	4650				
Solid State Transmitters (SSX) Site Preparation	1800		0 /1/		
			1800		
Kodiak, AK-Communications Station Kodiak-Equipment Replacement	7455				
Galveston, TX-Base Galveston-Replace Industrial Facilities	6964				
Venice, LA-Establish Station Venice	3000				
Public Family Quarters	7174	6000 /1/	7000 /1/	7000 /1/	8000 /1/
		4000	3000	3000	2000
Expand ADP Capability	9000				
Communication/Radio Stations High Frequency (HF) Transmitters	3200				
New York, NY-Rebuild Station New York	1890				
Winchester Bay, OR-Expand Station Umpqua River	2805				
Curtis Bay, MD-Rebuild Station Curtis Bay	2080				
Honolulu, HI-Base Honolulu Wharf	680	1500			
Charleston, SC-Base Charleston-Shops and Blast/Paint Facility	3802				
Crisfield, MD-Establish Station Crisfield	2430				
Curtis Bay, MD-Yard Sewer Connection	1200				
Barbers Pt, HI-Air Station Barbers Pt Corrosion Control Building	665				
Cordova, AK-Establish Seasonal Air Station Cordova	3500				
New York, NY-Support Center-Logistics Support Facility PH III	1200				
Samoa, CA-Station Humboldt Bay Waterfront Facilities	1450				
New York, NY-Support Center New York-New Fire House	1307				
Gulfport, MS-Establish Station Gulfport	3900				

NOTE: /1/ Incremental priority -- indicates funding above and below OMB target level.

SHORE FACILITIES (FY84 $000)--(Con't) G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
New London, CT-Academy Navigation Simulator	2780				
San Diego, CA-Air Station San Diego Renovation (HU-25A)		900			
Ketchikan, AK-Base Ketchikan-Replace Wharf		3800			
Philadelphia, PA-Marine Safety Office Delaware River Basin		6500	10700		
Relocate Loran Station Yap to Guam		2300			
Solid State Transmitter (SSX) Procurement		(2) 4000	(2) 4000	(2) 4000	(2) 4000
New York, NY-Support Center New York-Central Fire Alarm		1100			
Demopolis, AL-Aids to Navigation Facility-Tenn/Tom Waterways		3000			
Alameda, CA-Support Center Alameda-Replace Seawall		1700			
Detroit, MI-Rebuild Base/Group Detroit		5300			
Port Clarence, AK-Rehabilitate Loran Station Port Clarence		4000			
Peoria, IL-Aids to Navigation Facility Peoria Renovation		1600			
Yorktown, VA-Reserve Training Center-Admin/Medical/Dental Bldg		5500			
Port Angeles, WA-Renew Air Station Port Angeles		3700			
Honolulu, HI-Base Honolulu-Unaccompanied Personnel Housing		1200			
Aids to Navigation Facility Red River-Construct Depot/Wharf		700			
Boston, MA-Support Center Boston Development PH III		6100	4100	3500	
New York, NY-Support Center New York-Rehab Castle Williams		7100			
Curtis Bay, MD-Yard Sandblast Facility		1500			
Curtis Bay, MD-Yard Berthing		3000		1000	
Belle Chase, LA-Air Station New Orleans Facility Expansion		1300			
Replace Electronics Equipment		5000			
New London, CT-Academy Electrical Distribution System		6000			
Portsmouth, VA-Support Center-Bachelor Enlisted Quarters		6300			
Morgan City, LA-Construct Morgan City Depot and Moorings		4000			
Portsmouth, VA-Ship Navigation Simulator		10000			
Spare Loran Tower		2500			
Elizabeth City, NC-Support Center-Purchase Runway Clear Zones		1100			
Kodiak, AK-Support Center Kodiak Administrative Center		12900			
Portsmouth, VA-Support Center Portsmouth-Construct Officers Mess		1800			
Charleston, OR-Station Coos Bay Renovation/Expansion			1400		
Freeport, NY-Recontruct Station Short Beach			2300		
Detroit, MI-Renovate Station Belle Isle			1300		
Lorain, OH-Rebuild Station Lorain			1800		
Erie, PA-Replace Station Erie			2100		
Spring Lake, MI-Rebuild Station Grand Haven			2600		
Petaluma, CA-Training Center-Construct Dispensary Addition			1700		
Mid-level Patrol Craft (WPC) Shore Support			4200	5000	6100
Alameda, CA-Support Center Alameda-270' WMEC Moorings			5600		
Petaluma, CA-Training Center Petaluma-Construct Classroom (ET/TT)			15000		
Kodiak, AK-Support Center Kodiak-Construct Hospital			18000		

SHORE FACILITIES (FY84 $000)--(Con't) G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
Riviera Beach, FL-Replace Station Lake Worth			4000		
Wachapreague, VA-Renovate Station Parramore Beach			1100		
Chincoteague, VA-Station Chincoteague-Construct Barracks/Mess			2800		
Harsens Island, MI-St. Clair Flats Station-Renovate Station			2000		
Norfolk, VA-Station Little Creek-New Station Building/Boathouse			1300		
Crescent City, CA-Construct New Station/WPB Moorings			2700		
Attu, AK-Loran Station Attu-Renovation			7200		
Cortez, FL-Replace Station Cortez			2200		
Kodiak, AK-Support Center-Fire Station and Alarm System			5600		
Greenville/Natchez, MS-AtoN Facilities Flood Protection			2700		
New London, CT-Academy-Hospital Renovation			2500		
North Bend, OR-Group North Bend-Construct Electronics Facility			1000		
Elizabeth City, NC-Support Center-Construct Dispensary			1300		
Miami Beach, FL-Base Miami Beach-Expand Barracks			3000		
Southwest Harbor, ME-Contruct Group Maintenance/Support Building			1000		
Hancock, MI-Rehabilitate Station Portage			2400		
Houston, TX-Rebuild Air Station Houston			10000		
Portsmouth, VA-Support Center-Establish Afloat Training Command			3100		
Mayport, FL-Base Mayport-Construct Barracks			2200		
Kodiak, AK-Air Station Kodiak-Hangar Energy Retrofit			3400		
Port Isabel, TX-Station Port Isabel-Rehab and Improve Waterfront			600		
Petaluma, CA-Training Center-Bachelor Enlisted Quarters				17800	
Northport, NY-Station Eatons Neck-Construct Boat Basin Entrance				700	
Muskegon, MI-Rebuild Station Muskegon				2500	
Yankeetown, FL-Station Yankeetown-Construct Permanent Station				4800	
Narragansett, RI-Rehabilitate Station Point Judith				3000	
New Haven, CT-Station New Haven-Waterfront/Station Expansion				1900	
Georgetown, SC-Station Georgetown-Construct Permanent Station				3900	
Cape May, NJ-Training Center Cape May-Beach Erosion Control				6700	
Cape May, NJ-Training Center Cape May-Construct Armory				1000	
Kodiak, AK-Support Center-Construct Fuel Farm Containment System				2500	
St Simon Island, GA-Station St Simon-Const New Station/Moorings				4300	
Curtis Bay, MD-Yard-Upgrade Mechanical Shops				2200	
Kodiak, AK-Support Center Kodiak-Solid Waste Management System				2800	
Nantucket, MA-Station Brant Point-Waterfront Improvements				800	
Hampton Bays, NY-Station Shinnecock-Dining/Rec Bldg, Exp Ops Bldg				1900	
Willets Point, NY-Station Fort Totten-Modernize Facilities				1200	
Burlington, VT-Construct Station Burlington				800	
Fort Tilden, NY-Group Rockaway-Rehabilitate Group				3600	
Atlantic Beach, NC-Base Fort Macon-Basin & Boat Maint Facility				3700	
Kodiak, AK-Air Station Kodiak-Construct Ready Crew Berthing				2500	

SHORE FACILITIES (FY84 $000)--(Con't) G-CPA 15 FEB 1983

PROJECT	FY84	FY85	FY86	FY87	FY88
Yorktown, VA-RTC Yorktown-Construct Enlisted Lounges				1600	
Kodiak, AK-Construct New Loran Monitor Station				3300	
Panama City, FL-Station Panama City-Construct Admin Building				3600	
Ilwaco, WA-Station Cape Disappointment-Rehabilitate Station				1800	
New Smyrna Beach, FL-Station Ponce de Leon-Rebuild Station					4000
Frankfort, MI-Rebuild Station Frankfort					1700
Hull, MA-Light Station Boston-Breakwater and Slope Protection					2400
Cape May, NJ-Training Center-Bachelor Enlisted Quarters					3800
Elizabeth City, NC-Support Center-ILS for Runway 10-28					1600
Kodiak, AK-Support Center Kodiak-Waterfront Improvements					4500
New London, CT-Academy-Rehabilitate Waterfront					3800
Kodiak, AK-Support Center Kodiak-Renew Roads and Grounds					4200
Valdez, AK-Vessel Traffic Center-Upgrade Radar/Communications					6200
St Augustine, FL-Establish New Station					1300
Yorktown, VA-RTC Yorktown-Construct Gym and Enclose Pool					2600
New London, CT-Academy-Energy Management System					1500
Kodiak, AK-Support Center-Construct Child Care Center					2800
Kodiak, AK-Support Center-Construct Teen Center					1000
San Juan, PR-Greater Antilles Section-Restore Lighthouses					4000
Houston, TX-Vessel Traffic Service-Upgrade Computer and Radars					6100
Freeport, TX-Station Freeport-Rebuild Station					7000
San Pedro, CA-Base Terminal Island-Industrial Facility					1800
St Paul Island, AK-Loran Station-Construct Recreation Building					800
Whittier, AK-Establish Station Whittier-Construct UTB Facility					1300
Ketchikan, AK-Base Ketchikan-Construct Barracks/Mess Hall					2300
Northport, NY-Station Eatons Neck-Concrete Cribbing					600
Elizabeth City, NC-Support Center-Renovate Taxiways/Lighting					3000
Petaluma, CA-TRACEN Petaluma-Construct Student Service Center					2400
Southport, NC-Station Oak Island-Rebuild Station					3600
Appalachicola, FL-Construct New Station					4900
San Francisco, CA-Station Fort Point-Wave Suppression System					1100
Vallejo, CA-Station Mare Island-Wave/Surge Suppression System					600
San Juan Island, WA-Construct New Station					3600
Yorktown, VA-Reserve Training Center-Construct Chapel					600
Sub Totals:	123045	147200	172000	128700	125200

FY84 CONG STAGE SUBMISSION G-CPA 15 FEB 1983

	Project	FY84 $000s	Cum
1	270' Medium Endurance Cutter (WMEC) Escalation/Support	14000	14000
2	Medium Range Search (MRS) Aircraft HU-25A Support	7894	21894
3	Short Range Recovery (SRR) Helicopter HH-65A Escalation/Support	41390	63284
4	Survey & Design-Vessels	1160	64444
5	Survey & Design-Shore	5500	69944
6	378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM)-HAMILTON & Long Lead Time Material	23938	93882
7	210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability-Long Lead Time Material	24000	117882
8	Portsmouth, VA-COMDAC Support Facility Equipment Ph II	2200	120082
9	Minor AC&I Shore Construction	7455	127537
10	Seagoing Buoy Tenders (WLB) Service Life Extension Program (2)	19285	146822
11	Waterways Aids to Navigation Projects	7500	154322
12	Mobile, AL-Gulf Strike Team Relocation	3758	158080
13	Maintain Long Range Search (HC-130) Capability	67600	225680
14	Petaluma, CA-Training Center Petaluma Classroom Building	9500	235180
15	Elizabeth City, NC-Automatic Test Equipment for AR&SC-PH III	573	235753
16	Lighthouse Automation and Modernization Program (LAMP)	3800	239553
17	Remote Operating Systems (ROS) for Loran Stations	2200	241753
18	Aguadilla, PR-Air Station Borinquen Expansion (HU-25A)	1085	242838
19	Falmouth, MA-Air Station Cape Cod Hangar Construction (HU-25A)	4400	247238
20	Minor Aids to Navigation Solar Power Conversion	2600	249838
21	Petaluma, CA-Training Center-Student Officer and CPO Quarters	3900	253738
22	Pensacola, FL-Rebuild Station Pensacola	4650	258388
23	Solid State Transmitters (SSX) Site Preparation (4 sites)	1800	260188
24	Kodiak, AK-Communications Station Kodiak-Equipment Replacement	7455	267643
25	AIREYE Integration (HU-25A Sensors)	18981	286624
26	Galveston, TX-Base Galveston-Replace Industrial Facilities	6964	293588
27	Venice, LA-Establish Station Venice	3000	296588
28	Public Family Quarters	7174	303762
29	Expand ADP Capability	9000	312762
30	Communication/Radio Stations High Frequency (HF) Transmitters	3200	315962
31	New York, NY-Rebuild Station New York	1890	317852
32	Admininstration and Engineering Logistics	19124	336976
33	Buoy Boat Replacements-6 boats	5600	342576
34	Winchester Bay, OR-Expand Station Umpqua River	2805	345381
35	Curtis Bay, MD-Rebuild Station Curtis Bay	2080	347461
36	Honolulu, HI-Base Honolulu Wharf Ph I	680	348141
37	Charleston, SC-Base Charleston-Shops and Blast/Paint Facility	3802	351943
38	Crisfield, MD-Establish Station Crisfield	2430	354373
39	Curtis Bay, MD-Yard Sewer Connection	1200	355573
40	Inland Construction Tender (WLIC) Barge Extension	2450	358023
41	Barbers Pt, HI-Air Station Barbers Pt Corrosion Control Building	665	358688
42	Ship Training Detachment Replacement	1600	360288
43	Cordova, AK-Establish Seasonal Air Station Cordova	3500	363788
44	HC-130 Forward Looking Airborne Radar (FLAR)	2000	365788
45	New York, NY-Support Center-Logistics Support Facility PH III	1200	366988
46	Atlantic Beach, NC-USCGC PRIMROSE Barge Modifications	460	367448
47	Minor AC&I-Unaccompanied Personnel Housing	1715	369163
48	Samoa, CA-Station Humboldt Bay Waterfront Facilities	1450	370613
49	New York, NY-Support Center New York-New Fire House	1307	371920
50	Gulfport, MS-Establish Station Gulfport	3900	375820
51	New London, CT-Academy Navigation Simulator	2780	378600

FY85 Capital Investment Projection G-CPA 15 FEB 1983

	Project	FY84 $000's	Cum	
1	Survey and Design/Administration Engineering and Logistics	19000	19000	1/
2	270' Medium Endurance Cutter (WMEC) Escalation/Support	63300	82300	
3	Short Range Recovery (SRR) Helicopter HH-65A Escalation/Support	28500	110800	
4	378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM) (2) and 8 Sets Long Lead Time Material	79100	189900	
5	Maintain Long Range Search (HC-130) Capability (3)	46200	236100	
6	Forward Looking Infra-Red (FLIR) Sensors	18000	254100	
7	210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability (2)	26000	280100	
8	Seagoing Buoy Tenders (WLB) Service Life Extension Program (2)	21200	301300	
9	110' Tug (WYTM) Replacements (2)	39000	340300	
10	Portsmouth, VA-COMDAC Support Facility Equipment PH III	1900	342200	
11	San Diego, CA-Air Station San Diego Renovation (HU-25A)	900	343100	
12	Waterways Aids to Navigation Projects	5000	348100	
13	Public Family Quarters	6000	354100	1/
14	Buoy Boats Replacements (6)	5600	359700	
15	Lighthouse Automation and Modernization Program (LAMP)	2900	362600	1/
16	Minor AC&I Shore Construction-General Projects	4000	366600	1/
17	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1000	367600	1/
18	Minor Aids to Navigation Solar Power Conversion PH II	1900	369500	
19	River Buoy Tender (WLR) Procurement (2)	9800	379300	
20	Ketchikan, AK-Base Ketchikan-Replace Wharf	3800	383100	
21	Philadelphia, PA-Marine Safety Office Delaware River Basin PH I	6500	389600	
22	Relocate Loran Station Yap to Guam	2300	391900	
23	Solid State Transmitters (SSX) Procurement (2)	4000	395900	
24	New York, NY-Support Center New York-Central Fire Alarm	1100	397000	
25	Demopolis, AL-Aids to Navigation Facility-Tenn/Tom Waterways	3000	400000	
26	Honolulu, HI-Base Honolulu Wharf PH II	1500	401500	
27	Alameda, CA-Support Center Alameda-Replace Seawall	1700	403200	
28	Detroit, MI-Rebuild Base/Group Detroit	5300	408500	
29	Port Clarence, AK-Rehabilitate Loran Station Port Clarence	4000	412500	
30	Peoria, IL-Aids to Navigation Facility Peoria Renovation	1600	414100	
31	Public Family Quarters	4000	418100	1/
32	Lighthouse Automation and Modernization Program (LAMP)	2100	420200	1/
33	Minor AC&I Shore Construction-General Projects	1500	421700	1/
34	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1500	423200	1/
35	Yorktown, VA-Reserve Training Center-Admin/Medical/Dental Bldg	5500	428700	
36	Port Angeles, WA-Renew Air Station Port Angeles	3700	432400	
37	Honolulu, HI-Base Honolulu-Unaccompanied Personnel Housing	1200	433600	
38	Aids to Navigation Facility Red River-Construct Depot/Wharf	700	434300	
39	Mid-level Patrol Craft (WPC) Procurement (3)	42000	476300	2/
40	Boston, MA-Support Center Boston Development PH III	6100	482400	
41	Active Gated TV (AGTV) Procurement (6)	9000	491400	
42	New York, NY-Support Center New York-Rehab Castle Williams	7100	498500	
43	Curtis Bay, MD-Yard Sandblast Facility	1500	500000	
44	Curtis Bay, MD-Yard Berthing PH I	3000	503000	
45	Survey and Design/Administration Engineering and Logistics	12000	515000	1/
46	Belle Chase, LA-Air Station New Orleans Facility Expansion	1300	516300	
47	Replace Electronics Equipment	5000	521300	
48	Kodiak, AK-Renovate/Reengine USCGC STORIS	30000	551300	
49	New London, CT-Academy Electrical Distribution System	6000	557300	
50	Portsmouth, VA-Support Center-Bachelor Enlisted Quarters	6300	563600	
51	Morgan City, LA-Construct Morgan City Depot and Moorings	4000	567600	
52	Portsmouth, VA-Ship Navigation Simulator	10000	577600	
53	Spare Loran Tower	2500	580100	
54	Cable Boat Procurement (1)	2000	582100	2/
55	Elizabeth City, NC-Support Center-Purchase Runway Clear Zones	1100	583200	
56	Kodiak, AK-Support Center Kodiak Administrative Center	12900	596100	
57	Portsmouth, VA-Support Center Portsmouth-Construct Officers Mess	1800	597900	

Notes: 1/ Funding for this item above and below line.
2/ Initial cost estimates prior to conceptual design.

FY86 Capital Investment Projection G-CPA 15 FEB 1983

	Project	FY84 $000's	Cum	
1	Survey and Design/Administration Engineering and Logistics	19000	19000	1/
2	270' Medium Endurance Cutter (WMEC) Escalation/Support	34000	53000	
3	Short Range Recovery (SRR) Helicopter HH-65A Escalation/Support	8200	61200	
4	378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM) (3)	105000	166200	
5	210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability (4)	26000	192200	
6	Portsmouth, VA-COMDAC Support Facility Equipment Ph IV	4000	196200	
7	Waterways Aids to Navigation Projects	5000	201200	
8	Lighthouse Automation and Modernization Program (LAMP)	4000	205200	1/
9	Seagoing Buoy Tenders (WLB) Service Life Extension Program (2)	21200	226400	
10	110' Tug (WYTM) Replacements (1)	19500	245900	
11	Mid-level Patrol Craft (WPC) Procurement (3)	42000	287900	2/
12	Patrol Boat (WPB) Replacement (3)	15000	302900	2/
13	Public Family Quarters	7000	309900	1/
14	Minor Aids to Navigation Solar Power Conversion PH III	1300	311200	
15	Forward Looking Infra-Red (FLIR) Sensors	18000	329200	
16	Minor AC&I Shore Construction-General Projects	4000	333200	1/
17	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1800	335000	1/
18	30' Utility Boat (UTM) Replacement (8)	4000	339000	
19	Trailerable Aids to Navigation Boat (TANB) Replacement	1100	340100	
20	Charleston, OR-Station Coos Bay Renovation/Expansion	1400	341500	
21	Freeport, NY-Recontruct Station Short Beach	2300	343800	
22	Detroit, MI-Renovate Station Belle Isle	1300	345100	
23	Lorain, OH-Rebuild Station Lorain	1800	346900	
24	Erie, PA-Replace Station Erie	2100	349000	
25	Spring Lake, MI-Rebuild Station Grand Haven	2600	351600	
26	Petaluma, CA-TRACEN Petaluma-Construct Dispensary Addition	1700	353300	
27	Mid-level Patrol Craft (WPC) Shore Support	4200	357500	
28	Solid State Transmitters (SSX) Procurement (2)	4000	361500	
29	Alameda, CA-Support Center Alameda-270' WMEC Moorings	5600	367100	
30	Philadelphia, PA-Marine Safety Office Delaware River Basin PH II	10700	377800	
31	Boston, MA-Support Center Boston Development Ph IV	4100	381900	
32	Petaluma, CA-Training Center-Classroom Building (ET/TT)	15000	396900	
33	Kodiak, AK-Support Center Kodiak-Construct Hospital	18000	414900	
34	Riviera Beach, FL-Replace Station Lake Worth	4000	418900	
35	Wachapreague, VA-Renovate Station Parramore Beach	1100	420000	
36	Maintain Long Range Search (HC-130) Capability (Option 3)	46200	466200	
37	Medium Range Recovery (MRR) Helicopter Replacement (4)	55600	521800	3/
38	Chincoteague, VA-Station Chincoteague-Construct Barracks/Mess	2800	524600	
39	Harsens Island, MI-St. Clair Flats Station Renovation	2000	526600	
40	Norfolk, VA-Station Little Creek-New Station Building/Boathouse	1300	527900	
41	Crescent City, CA-Construct New Station/WPB Moorings	2700	530600	
42	Public Family Quarters	3000	533600	
43	Survey and Design/Administration Engineering and Logistics	12000	545600	1/
44	Minor AC&I Shore Construction-General Projects	1500	547100	1/
45	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	700	547800	1/
46	Attu, AK-Loran Station Attu-Renovation	7200	555000	
47	Cortez, FL-Replace Station Cortez	2200	557200	
48	Kodiak, AK-Support Center-Fire Station and Alarm System	5600	562800	
49	Greenville/Natchez, MS-AtoN Facilities Flood Protection	2700	565500	
50	New London, CT-Academy-Hospital Renovation	2500	568000	
51	North Bend, OR-Group North Bend-Construct Electronics Facility	1000	569000	
52	Elizabeth City, NC-Support Center-Construct Dispensary	1300	570300	
53	Lighthouse Automation and Modernization Program (LAMP)	1000	571300	1/
54	Miami Beach, FL-Base Miami Beach-Expand Barracks	3000	574300	
55	Southwest Harbor, ME-Contruct Group Maintenance/Support Building	1000	575300	
56	Solid State Tranmitters (SSX) Site Preparation (4 sites)	1800	577100	
57	Active Gated TV (AGTV) Spares	6000	583100	
58	Cable Boat Procurement (1)	2000	585100	
59	Hancock, MI-Rehabilitate Station Portage	2400	587500	
60	Houston, TX-Rebuild Air Station Houston	10000	597500	
61	Portsmouth, VA-Support Center-Establish Afloat Training Command	3100	600600	
62	Mayport, FL-Base Mayport-Construct Barracks	2200	602800	
63	Kodiak, AK-Air Station Kodiak-Hangar Energy Retrofit	3400	606200	
64	Port Isabel, TX-Station Port Isabel-Rehab and Improve Waterfront	600	606800	

Notes: 1/ Funding for this item above and below line.
2/ Initial cost estimate prior to conceptual design.
3/ Final program scope not yet approved, initial cost based on existing heavy lift helos in MRR category.

FY87 Capital Investment Projection G-CPA 15 FEB 1983

	Project	FY84 $000's	Cum	
1	Survey and Design/Administration Engineering and Logistics	19000	19000	1/
2	270' Medium Endurance Cutter (WMEC) Escalation/Support	20600	39600	
3	378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM) (3)	105000	144600	
4	210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability (4)	26000	170600	
5	Mid-level Patrol Craft (WPC) Procurement (3)	42000	212600	2/
6	Medium Range Recovery (MRR) Helicopter Replacement (6)	83400	296000	1/ & 3/
7	Seagoing Buoy Tenders (WLB) Service Life Extension Program (2)	21200	317200	
8	140' Icebreaking Tug (WTGB)-WYTM Replacement (1)	19500	336700	
9	Patrol Boat (WPB) Replacement (8)	40000	376700	2/
10	Portsmouth, VA-COMDAC Support Facility Equipment PH V	8300	385000	
11	30' Utility Boat (UTM) Replacement (8)	4000	389000	
12	Waterways Aids to Navigation Projects	5000	394000	
13	Lighthouse Automation and Modernization Program (LAMP)	3500	397500	1/
14	Trailerable Aids to Navigation Boat (TANB) Replacement	1100	398600	
15	Public Family Quarters	7000	405600	1/
16	Mid-level Patrol Craft (WPC) Shoreside Support	5000	410600	
17	Minor AC&I Shore Construction-General Projects	3500	414100	1/
18	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	900	415000	1/
19	Solid State Transmitter (SSX) Procurement (2)	4000	419000	
20	Petaluma, CA-Training Center-Bachelor Enlisted Quarters	17800	436800	
21	Northport, NY-Station Eatons Neck-Construct Boat Basin Entrance	700	437500	
22	Muskegon, MI-Rebuild Station Muskegon	2500	440000	
23	Motor Lifeboat (MLB) Replacement (5)	10000	450000	
24	Yankeetown, FL-Station Yankeetown-Construct Permanent Station	4800	454800	
25	Narragansett, RI-Rehabilitate Station Point Judith	3000	457800	
26	New Haven, CT-Station New Haven-Waterfront/Station Expansion	1900	459700	
27	Georgetown, SC-Station Georgetown-Construct Permanent Station	3900	463600	
28	Minor AC&I Shore Construction-General Projects	2000	465600	1/
29	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1600	467200	1/
30	Lighthouse Automation and Modernization Program (LAMP)	1500	468700	1/
31	Cape May, NJ-Training Center Cape May-Beach Erosion Control	6700	475400	
32	Boston, MA-Support Center Boston Development PH V	3500	478900	
33	Cape May, NJ-Training Center Cape May-Construct Armory	1000	479900	
34	Survey and Design/Admininstration Engineering and Logistics	12000	491900	1/
35	Medium Range Recovery (MRR) Helicopter Replacement (6)	83400	575300	1/ & 3/
36	Public Family Quarters	3000	578300	1/
37	Kodiak, AK-Support Center-Construct Fuel Farm Containment System	2500	580800	
38	St Simon Island, GA-Station St Simon-Const New Station/Moorings	4300	585100	
39	Curtis Bay, MD-Yard-Upgrade Mechanical Shops	2200	587300	
40	Curtis Bay, MD-Yard Berthing Ph II	1000	588300	
41	Kodiak, AK-Support Center Kodiak-Solid Waste Management System	2800	591100	
42	Nantucket, MA-Station Brant Point-Waterfront Improvements	800	591900	
43	Hampton Bays, NY-Station Shinnecock-Dining/Rec Bldg,Exp Ops Bldg	1900	593800	
44	Willets Point, NY-Station Fort Totten-Modernize Facilities	1200	595000	
45	Burlington, VT-Construct Station Burlington	800	595800	
46	Fort Tilden, NY-Group Rockaway-Rehabilitate Group	3600	599400	
47	Atlantic Beach, NC-Base Fort Macon-Basin & Boat Maint Facility	3700	603100	
48	Kodiak, AK-Air Station Kodiak-Construct Ready Crew Berthing	2500	605600	
49	Yorktown, VA-RTC Yorktown-Construct Enlisted Lounges	1600	607200	
50	Kodiak, AK-Construct New Loran Monitor Station	3300	610500	
51	Panama City, FL-Station Panama City-Construct Admin Building	3600	614100	
52	Ilwaco, WA-Station Cape Disappointment-Rehabilitate Station	1800	615900	

Notes: 1/ Funding for this item above and below line.
2/ Intial cost estimate prior to conceptual design.
3/ Final program scope not yet approved, initial cost based on existing heavy lift helos in MRR category.

FY88 Capital Investment Projection G-CPA 15 FEB 1983

	Project	FY84 $000's	Cum	
1	Survey and Design/Administration Engineering and Logistics	19000	19000	1/
2	378' High Endurance Cutter (WHEC)-Fleet Renovation and Modernization (FRAM) (3)	105000	124000	
3	Medium Range Recovery (MRR) Helicopter Replacement (6)	83400	207400	1/ & 2/
4	210' Medium Endurance Cutter (WMEC) Mid-life Maintenance Availability (4)	26000	233400	
5	Seagoing Buoy Tenders (WLB) Service Life Extension Program (1)	10600	244000	
6	110' Tug (WYTM) Replacements (1)	19500	263500	
7	Mid-level Patrol Craft (WPC) Procurement (3)	42000	305500	3/
8	Patrol Boat (WPB) Replacement (8)	40000	345500	3/
9	Portsmouth, VA-COMDAC Support Facility Equipment Ph VI	2000	347500	
10	Waterways Aids to Navigation Projects	5000	352500	
11	30' Utility Boat (UTM) Replacement (8)	4000	356500	
12	Mid-level Patrol Craft (WPC) Shoreside Support	6100	362600	
13	Lighthouse Automation and Modernization Program (LAMP)	3500	366100	1/
14	Public Family Quarters	8000	374100	1/
15	Trailerable Aids to Navigation Boat (TANB) Replacement	1100	375200	
16	Minor AC&I Shore Construction-General Projects	4000	379200	1/
17	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1300	380500	1/
18	32' Ports and Waterways (PWB) Replacement (12)	6000	386500	
19	Motor Lifeboat (MLB) Replacement (10)	20000	406500	
20	New York, NY-Support Center New York-Replace Ferryboats (1)	16000	422500	
21	New Smyrna Beach, FL-Station Ponce de Leon-Rebuild Station	4000	426500	
22	Frankfort, MI-Rebuild Station Frankfort	1700	428200	
23	Hull, MA-Light Station Boston-Breakwater and Slope Protection	2400	430600	
24	Solid State Transmitters (SSX) Procurement (2)	4000	434600	
25	Cape May, NJ-Training Center-Bachelor Enlisted Quarters	3800	438400	
26	Elizabeth City, NC-Support Center-ILS for Runway 10-28	1600	440000	
27	Kodiak, AK-Support Center Kodiak-Waterfront Improvements	4500	444500	
28	New London, CT-Academy-Rehabilitate Waterfront	3800	448300	
29	Kodiak, AK-Support Center Kodiak-Renew Roads and Grounds	4200	452500	
30	Valdez, AK-Vessel Traffic Service-Upgrade Radar/Communications	6200	458700	
31	St Augustine, FL-Establish New Station-Construct Moorings PH I	1300	460000	
32	Public Family Quarters	2000	462000	1/
33	Medium Range Recovery (MRR) Helicopters Replacement (6)	83400	545400	1/ & 2/
34	Survey and Design/Administration Engineering and Logistics	12000	557400	1/
35	Minor AC&I Shore Construction-General Projects	1500	558900	1/
36	Minor AC&I Shore Construction-Unaccompanied Personnel Housing	1200	560100	1/
37	Lighthouse Automation and Modernization Program (LAMP)	1500	561600	1/
38	Yorktown, VA-RTC Yorktown-Construct Gym and Enclose Pool	2600	564200	
39	New London, CT-Academy-Energy Management System	1500	565700	
40	Kodiak, AK-Support Center Kodiak-Construct Child Care Center	2800	568500	
41	Kodiak, AK-Support Center Kodiak-Construct Teen Center	1000	569500	
42	San Juan, PR-Greater Antilles Section-Restore Lighthouses	4000	573500	
43	Houston, TX-Vessel Traffic Service-Upgrade Computer and Radars	6100	579600	
44	Freeport, TX-Station Freeport-Rebuild Station	7000	586600	
45	San Pedro, CA-Base Terminal Island-Industrial Facility	1800	588400	
46	St Paul Island, AK-Loran Station-Construct Recreation Building	800	589200	
47	Whittier, AK-Establish Station Whittier-Construct UTB Facility	1300	590500	
48	Ketchikan, AK-Base Ketchikan-Construct Barracks/Mess Hall	2300	592800	
49	Northport, NY-Station Eatons Neck-Concrete Cribbing	600	593400	
50	Elizabeth City, NC-Support Center-Renovate Taxiways/Lighting	3000	596400	
51	Petaluma, CA-TRACEN Petaluma-Construct Student Service Center	2400	598800	
52	Southport, NC-Station Oak Island-Rebuild Station	3600	602400	
53	Appalachicola, FL-Construct New Station	4900	607300	
54	San Francisco, CA-Station Fort Point-Wave Suppression System	1100	608400	
55	Vallejo, CA-Station Mare Island-Wave/Surge Suppression System	600	609000	
56	San Juan Island, WA-Construct New Station	3600	612600	
57	Yorktown, VA-Reserve Training Center Yorktown-Construct Chapel	600	613200	

Notes: 1/ Funding for this item above and below line.
2/ Final program scope not yet approved, initial cost based on existing heavy lift helos in MRR categ
3/ Initial cost estimate prior to conceptual design.

SAR WORKLOAD RELATIONSHIP WITH ECONOMY

Senator Andrews: What is the historical relationship between search and rescue caseload and economic conditions in the country? Provide detail for the record which quantifies this relationship and projects these historical trends through the next few years. Is GNP a better indicator?

Response: There appears to be a relationship between search and rescue caseload and economic conditions. One important factor seems to be the amount of disposable income on the part of individuals, which is influenced by GNP changes, and which is reflected in expenditures for recreation. GNP was identified in a study three years ago that sought to investigate factors that influenced SAR demand. It appears to be a better long term predictor than the annual increase in registered boats, which is what had been used. We have also noted decreases in SAR cases in regions with serious economic problems, and similarly caseload growth in Florida and the Gulf Coast, which tends to corroborate our hypothesis. Our current caseload projections are:

FY83	FY84	FY85	FY86	FY87
75,000	75,000	75,050	76,750	78,550

SAR Workload Estimates

Senator Andrews: Your workload data show actual Search and Rescue (SAR) responses were 7% below the estimate for FY 1982 and that the current estimate for FY 1983 is about 7% below what was originally estimated (OE-4). To what do you attribute this reduction in SAR? Were your estimates for SAR responses inflated in the past?

Response: No. There has been an apparent levelling off of SAR demand for the nation as a whole, with increases in the South offset by decreases in the Northeast and Great Lakes. We had not anticipated this, having experienced 5% annual growth through the period 1975-80. We feel the current "plateau" that the data reflects is attributable to the combined effect of several factors:

a. The current economic situation.

b. The fruits of a 10 year commitment by the Coast Guard and the Congress to the Boating Safety Program, resulting in improvements in design and construction of recreational boats.

c. The results of years of boating education programs by the Coast Guard Auxiliary and other boating organizations.

Estimates of future demand by necessity seek to project the past into the future. When the precedents of the past no longer apply, predictions likewise err. The Coast Guard has and will continue to provide its best estimates of future workload to the Congress.

Senator Andrews: Your current estimates for FY 1984 SAR responses show no change over FY 1983 estimates. Why are these forecasts so cautious?

Response: Our analysis indicates that we appear to be on a plateau at the present time. While long term GNP growth would indicate a small increase in SAR workload over the next five years, we cannot accurately predict when such growth will resume. Hence, we have deliberately chosen the conservative position of expecting minimal growth from 1983 to 1984.

Senator Andrews: What mechanisms does the Coast Guard use to make SAR workload projections?

Response: The Coast Guard estimates future SAR workload by analyzing a number of factors, the most important of which are regional economic trends, demographics and boat ownership. Caseload changes have historically correlated with local economic cycles and population changes. Regional SAR caseload projections are added together to estimate total SAR workload.

MARINE ACCIDENTS

Senator Andrews: For the record, please document the numbers, types, and cost (including human losses) of marine accidents for FY 1982, 1983, and 1984. What are the significant trends in accidents for both recreational boats and commercial vessels?

Response: Commercial Vessels. The table below depicts casualties incurred by commercial vessels and which are required by regulation to be reported to the Coast Guard. These casualties may be generally grouped into collisions, groundings, founderings, fires and explosions, and material failures. As can be seen, it is anticipated that the number of casualties will increase slightly through FY 84. This is attributed to the increase in size of the U.S. commercial fleet, especially by the growth of the U.S. fishing fleet (hence, an increase in the number of "vessels at risk"). Note that effective 1 January 1981, one of the reporting requirements for reporting marine casualties changed. Prior to this date, casualties resulting in property damage in excess of $1500 were required to be reported. After 1 January 1981, the monetary criteria was changed to $25,000. A decrease in the number of casualties reported has been observed for FY 82; the first full year after the reporting criteria was changed. The casualty projections for FY 83 and FY 84 are based on casualty data reported for the years prior to the 1981 revision and on observed decreases in reportable casualties resulting from this change in reporting requirements. It is not possible at this time to accurately project trends for the number of vessels damaged or monetary damages incurred since we only have one year of acutal data under the new reporting requirements. The new reporting requirements will have little, if any, impact upon the reporting of total vessel losses and no impact upon personnel deaths. Based on casualty statistics for the past 5 years, total vessel losses and personnel deaths are expected to remain in the area shown in the table.

	FY82	FY83*	FY84*
Number of Vessel Casualties	2708	2790	2815
Commercial Vessels Lost	272	280	293
Commercial Vessels Damaged	4407	4505	4580
Personnel Deaths Due to Vessel Casualty	126	134	139
Monetary Damages	$164,567,760	$171,150,470	$177,996,489

* estimated

Recreational Boating. Recreational boating accident data are collected on a calendar year basis. The number of boating fatalities has remained in the range of 1200-1500 per year since 1974. A total of 1208 fatalities were reported in 1981, the last year for which full data are presently available. The recreational boating fatality rate expressed as fatalities per 100,000 (estimated) boats has decreased substantially since the passage of the Federal Boat Safety Act of 1971. In the decade before its passage, the rate was about 20 fatalities per 100,000 boats; it is now estimated to be less than half that. The coordinated actions of the Federal and state governments and the voluntary, private safety organizations are required to further reduce this rate.

Despite a large increase in the number of boats over the past decade, there have been significant decreases in the number of people who die from boats capsizing and sinking. We believe this results from implementation of Federal standards for boat flotation. Over the same period, there has been an increase in the number of people dying in boat collisions, especially with fixed objects. This probably reflects the increased exposure and the dependence of this type of casualty on operator actions.

Numbers of reported accidents and the reported value of property damage have both increased by at least one-third over the past decade. We feel that these are due to the increase in boating exposure and increased valuation of boats due to inflation. Our data on non-fatal accidents and property damage accidents are not reliable enough to give good information on trends on most accident types. It seems likely, though, that boating accidents are becoming less likely to lead to death, since fatal accidents have decreased substantially as a portion of the total reported.

OPERATIONS IMPACT OF CAPITAL INFLUX

Senator Andrews: Provide for the record by fiscal year 1983 through 1986 the impact on operations resulting from the Congressional initiative to increase the Coast Guard's capital assets through acquisitions, construction, and improvements.

Response: I'm assuming that you are referring to the $300 million DOD appropriation that was transferred to the Coast Guard. The operational impacts of the initiative can be summarized from the following table. The renovation of several cutter classes and the HC-130 aircraft will ensure continued dependable service from those assets. The addition of the WPB's and SES's will augment the fleet and add 11 cutter years almost solely to the drug interdiction program. The other equipment program e.g. FLIR, COMM's, MSIS, etc. will allow us to improve our mission efficiency in a variety of Coast Guard programs. The shore facilities and Aids to Navigation projects will allow us to replace and repair existing facilities and add urgently needed facilities that will give us the capability to better support and provide for our operational programs.

Project	FY-83	FY-84	FY-85	FY-86
378' WHEC FRAM	design	award	1st ship out	#2 & 3 ships out (a)
210' WMEC MMA	design	1st ship in	1st ship out	#2 - 5 ships out (a)
GLACIER MMA	begin	completed		
WPB's	award	1st boat delivered	7 boats delivered	
RHI's	1st boat delivered	last boat delivered		
WLB SLEP LLTM	#1 & 2 hulls completed	#3 hull completed	#4 & 5 hulls completed	#6 & 7 hulls completed (a)
SWATH	design	design	award	vessel delivered
Vsl Nav Mods	underway	completed		
SES's	3 ships delivered			
AR&SC Test Eqt	underway	completed		
PILOC C-130	5 A/C delivered	5 A/C delivered	3 A/C (a) delivered	
FLIR	prototype	prototype	award	1st unit delivered
FLAR	evaluate	award	1st unit delivered	completed
Survey/Design	completed			
Waterways AtoN	completed			
LAMP	completed			
WPB Shore	design	award	completed	
COMDAC Fac	design	award	completed	
SES Shore	award	completed		
Minor AC&I	completed			
Loran Towers	award	delivered	installed	
Minor UPH	completed			
Valdez VTS	underway	completed		
COMMS Eqt	underway	underway	completed	
MSIS Eqt	underway	underway	completed	
NY Ferry Slip	completed			
Kodiak PAC	award	completed		
RTC Projects	design	award	completed	
Administration	completed			

Note (a): Assumes approval for continuation of program.
General: FRAM, MMA and SLEP refer to vessel renovation programs; RHI is a rigid hull inflatable boat; PILOC refers to an airframe replacement program.

INDEPENDENT PARTY INSPECTIONS

Senator Andrews: The Coast Guard recently decided to implement a new procedure which would drop on-site inspection by the Coast Guard of merchant vessel lifeboats, inflatable liferafts and lifeboat launching equipment. Information was brought to the Committee's attention that this action was taken in a procedurally improper way and did not allow for a full public discussion on the issues involved. The alleged result of this action is that there exists a serious possibility that the equipment which will be used to protect U.S. merchant marine seamen may not be manufactured in a way which comports with Coast Guard standards. It is our understanding that a rule making process was concluded in 1979 which established guidelines for substituting independent party inspections of safety equipment and manufacturing facilities for Coast Guard inspections. The guidelines were not immediately applied to most kinds of safety equipment and the Commandant reserved the right to apply the procedure to any type of equipment, at any time, after writing to affected parties. Is it true that in some foreign countries inspection facilities are either owned or controlled by the foreign government?

Response: In some foreign countries the inspection organizations are owned by the government. When they test equipment for our approval, they must test to our requirements, not the requirements of that government.

Senator Andrews: Do some foreign lifeboat manufacturing industries receive funding from their government?

Response: I don't know. We don't require any manufacturer to provide us with information on their financial affairs.

Senator Andrews: Does the new Coast Guard procedure impose new legal and economic burdens on manufacturers?

Response: The manufacturers must pay for the services of the independent laboratory inspectors. There was no fee for Coast Guard inspectors. I'm not aware of any new legal "burdens" involved.

Senator Andrews: Was there any indication that, under the previous system, inspections performed by the Coast Guard officers lacked objectivity in judgement or unfamiliarity with Coast Guard regulations?

Response: There were no problems of that sort with Coast Guard inspectors. The system was very satisfactory as far as we were concerned.

Senator Andrews: Has there been any demonstration test or public comment period provided to evaluate the quality and ultimate safety provided, through independent facilties?

Response: We began using Underwriters Laboratories (UL) for approval testing of fire protection equipment over 20 years ago. We began using UL for lifejacket testing over 10 years ago. In the mid-1970's, we began using independent laboratories for approval testing of pollution prevention equipment. In 1980, we began the present program of converting all of the remaining Coast Guard approved equipment to independent laboratory inspection. The conversion process started with the less complex equipment and has proceeded to the point where we are ready to begin using it for the last group of equipment, liferafts, lifeboats and associated launching equipment. The competence of independent inspection organizations is a concern, of course, and that was one of the reasons we started using the new procedures on the more simple equipment first. So far, we have had no indication of problems of integrity or inadequate quality control with any inspection organization, foreign or domestic.

There was a public comment period after the independent laboratory rules were proposed in 1978.

Senator Andrews: At this point in the record, Admiral Gracey, we would like for you to provide a written summary of your personal review and evaluation of this situation along with your recommendations and intended actions to deal with the matter.

Response: On 23 October 1978, the Coast Guard published a Notice of Proposed Rulemaking establishing procedures for independent laboratories to undertake approval and production inspections in lieu of having these inspections performed by Coast Guard personnel. The purpose of this proposed rule was to free some of our limited supply of inspectors for other inspection tasks. Each holder of a Coast Guard approval that involved factory inspection, including manufacturers of lifeboats, inflatable liferafts and lifeboat launching equipment, was sent a copy of this notice and was given ample opportunity to comment. After receiving and responding to comments, the final rules were published on 17 December 1979. We intended, in accordance with these rules, to phase in independent laboratory inspection, starting with pyrotechnics and relatively simple equipment and progressing to liferafts, lifeboats, and associated launching equipment. The program proceeded without difficulty and in March and April 1982 we notified manufacturers of liferafts, lifeboats and associated launching equipment that we would implement the independent laboratory inspection procedures for this equipment during the period from 1 October 1982 to 1 October 1984.

The manufacturers of liferafts, lifeboats and associated launching equipment objected to the application of these procedures to their equipment. Their main concern appeared to be foreign competition in the lifesaving equipment market for U.S. flag ships. Although the Coast Guard has no authority or responsibility for trade protection, under Coast Guard factory inspection there was a de facto prohibition on approval of foreign produced equipment since we could not assign resident inspectors to foreign factories. Under the independent laboratory system, there is no such prohibition and foreign producers can obtain Coast Guard approval for their products. In fact, this prohibition on foreign approvals was one of the reasons we introduced the independent laboratory procedure for lifeboats and liferafts when we did. The Danish government concluded that our prohibition on foreign approval was a non-tariff barrier to trade, contrary to the provisions of the GATT Agreement on Technical Barriers to Trade (also known as the Standards Code). Denmark then brought this to the attention of our government. We conferred with the Office of the U.S. Trade Representative, the State Department, and the Commerce Department and concluded that the prohibition on foreign approval was not permitted under the Standards Code and the Trade Agreements Act of 1979. Our choice was either to assign resident Coast Guard inspectors to whatever foreign manufacturers chose to produce Coast Guard approved equipment, or else introduce the independent laboratory procedure sooner than we had intended. We chose the latter course of action since we still did not have the inspectors to commit to that kind of a program. In the summer of 1982, nine of the thirteen U.S. manufacturers of liferafts, lifeboats and associated launching equipment formed the U.S. Lifesaving Appliances Manufacturers Association. This Association retained counsel who again urged us to terminate the independent laboratory inspection program. This time, they alleged the action was taken in a procedurally improper way. The notice of proposed rulemaking committed us to convert the inspections of all lifesaving equipment to the independent laboratory procedure, but for liferafts, lifeboats and associated launching equipment, the notice stated that these may be considered at a later date. The Association concluded this meant their equipment would not be included under the procedure, at least without a separate rulemaking. We responded by rescinding our requirement for mandatory use of independent laboratories until we completed another rulemaking specifically requiring independent laboratory inspection. Although this eliminated the direct effect on U.S. manufacturers, it still allowed optional use of the laboratory system for foreign producers seeking approval, and therefore eliminated the protected market. Unfortunately, the matter has proceeded to litigation. The Association filed suit in U.S. District Court on February 23, 1983 seeking an order prohibiting the Coast Guard from recognizing as valid any test or inspection conducted by an independent laboratory on the equipment in question. A hearing on a motion for a preliminary injunction is to be held in the next few weeks.

The independent laboratory replaces Coast Guard inspectors only at the place of manufacture. An important safeguard in the functioning of the new inspection procedure is that our inspectors will continue to examine the equipment when it is installed aboard the vessel, including each reinspection of the vessel. Our Headquarters staff will continue to review the plans for new lifesaving equipment designs and to read every test report prepared by the independent laboratories to make sure the equipment meets U.S. regulations. We are not depending upon the laboratory's certification that the equipment meets our requirements, nor will we accept foreign manufactured equipment built to standards lower than our own. Coast Guard personnel will also be present for the pre-approval testing of most new designs, regardless of whether these tests take place in the U.S. or in other countries.

Our use of independent laboratories is not new or experimental in any sense. Liferafts, lifeboats and associated launching equipment is the last group of the Coast Guard approved lifesaving, fire protection, and pollution prevention equipment to come under this procedure. It has worked well. So far we have had no indication of problems, of integrity or inadequate quality control, with any independent laboratory, foreign or domestic.

AIRCRAFT TIME BREAKDOWN

Senator Andrews: For each of the types of aircraft in the Coast Guard fleet, please provide for the record a breakdown of your estimated percentage of the time that the type of aircraft spends in training, in maintenance, in actual patrol or operation, and so forth. Also, please relate these figures to your present and potential use of simulators.

Response: The table below depicts a three year average (fiscal years 1980, 1981, and 1982) of the percentage of flight time Coast Guard aircraft spent on training, maintenance, and operational missions.

Aircraft	Operations	Training	Maintenance (test+ferry)
HC-130B/E	71%	26%	3%
HC-130H	74%	22%	4%
HH-3F	52%	43%	5%
HH-52A	46%	49%	5%

Currently the Coast Guard operates one HH-52A and one HH-3F simulator. They are used extensively in the initial qualification of pilots in those aircraft. They are also used to provide annual emergency procedures and instrument flying training, including the required instrument check flight. They are not suitable for aircrew, as opposed to pilot, training.

During fiscal years 1980, 1981, and 1982, the simulators accounted for approximately 5% of all HH-3F and HH-52A training hours. Some portion of training time is devoted to aircrew training, but our data base doesn't differentiate between pilot and aircrew training hours. If only pilot training time were considered the percentage of training time contributed by the simulators would be higher.

Our use of simulators is constrained primarily by the limited capability of our simulators. Not all required training can be conducted in simulators. For example, hoist training, shipboard landings, water landings to pick up survivors, are maneuvers incapable of being programmed into our computers which run the simulators. Use is also constrained by the fact that we only have simulators for two of our aircraft types.

Our use of simulators will increase in the near future. New HU-25A and HH-65A simulators are scheduled to commence operation in FY84. The HU-25A simulator is the Coast Guard's first fixed-wing simulator. Moreover, both of the new simulators have visual display systems not present in the HH-52A and HH-3F simulators. This capability increases the number of demanding maneuvers that can be practiced in a simulator.

AIRCRAFT UTILIZATION, MAINTENANCE, AND TRAINING

Senator Andrews: How does the Coast Guard's training, utilization, and maintenance hours on aircraft relate to industry standards and the standards for other Armed Forces? Explain how the Coast Guard's missions and requirements might explain some of the variance between your utilization of aircraft and those of some other civilian and military users.

Response: It is very difficult to compare Coast Guard flight operations with those of other Armed Forces and civilian organizations because of the Coast Guard's unique combination of readiness and mission requirements. This is most evident in the amount of flight time used for training. Very little training beyond the minimum FAA requirements is needed by civilian organizations as the maneuvers in which they need to be proficent, i.e., takeoffs, landings, and airways flight. These maneuvers are the same things they do on a non-training basis every day. Coast Guard pilots and air crew members, on the other hand, have to maintain proficency in maneuvers, such as hoisting people from the water and delivering pumps to sinking boats, which are used on an operational basis only intermittently on demand. Much of our training flight time is devoted to instilling and upgrading the skills of our flight crews. Our missions and circumstances are quite different from the other services (high speed tactical delivery of weapons, carrier operations, etc.) so comparisons are tenuous. However, the statistics show that the Coast Guard spends less time than other military organizations on training. As an example, the Air Force uses 85% of its H-3 flight time and 64% of C-130 flight time for training missions. For the same aircraft, the Coast Guard uses 43% (H-3) and 26% (C-130) of all flight time for training.

Comparisons of Coast Guard maintenance hours per flight hour with the experience of industry are difficult because ofthe military and Coast Guard peculiar equipment we use and maintain. For major components such as engines and transmissions, however, our maintenance requirements have been almost identical to industry's. Our Computerized Maintenance System was modeled after a commercial system and is used to make such comparisons routinely. The maintenance and availability statistics of DOD aircraft are classified information and not normally available to us. Our aircraft maintenance goal of a 29% or less Not Operationally Ready rate is the same as DOD's.

Coast Guard planned annual aircraft utilization rate is generally higher than that of DOD but lower than the industry average. The following table provides some rough comparisons:

Organization	Small Helo	Large Helo	Small Jet	C-130
Coast Guard	HH-52A/650	HH-3F/700	HU-25A/1000	800
Army	UH-1 /204	UH-60/195		
Air Force	UH-1 /137	HH-3E/333	T-39 /637	750
Navy/Marines	SH-2 /520	H-3B/600		617
Civilian *	Bell 206/890	S-61/1400	Falcon/1200	2700

* There are no industry standards for aircraft utilization that we know of. These are averages derived from limited sampling of commercial organizations. The range of utilization in the civilian sector varies widely for each aircraft type ranging from only a few hours a month to the absolute maximum that maintenance requirements will allow.

In many cases the Coast Guard's requirement to have one aircraft at each unit always in a "ready" status for search and rescue precludes scheduling other missions. This tends to make our utilization rate slightly lower than it might be otherwise.

PRODUCTIVE AIRCRAFT USE

Senator Andrews: The new aircraft now coming on line are much more productive than the older piston-engine aircraft. They can do a great deal more surveillance in a shorter period of time, particularly with advance sensors onboard, although they probably burn many times more fuel per hour than the aircraft they are replacing. From this standpoint, has the Coast Guard reevaluated the number of aircraft it maintains at locations with an eye toward making the most of its productive aviation capabilities and broadest possible coverage relative to need?

Response: Coast Guard aircraft requirements are formally evaluated in the Coast Guard Aviation Requirements List. Using the unique capabilities of each of our aircraft types as entering arguments and performing a trade off analysis, the aviation requirements identify the type and number of aircraft needed at our various air stations to accomplish assigned missions.

Additionally, aircraft needs are continuously examined on an ad hoc basis. For example, Cuban Refugee Operations in 1981 and Haitian Interdiction Operations in 1982 led to the temporary assignment of numerous fixed and rotary-wing aircraft in the Southeast U.S. Moreover, the increase of illegal drug traffic in the Southeast U.S. and the Coast Guard's commitment to the President's Task Force resulted in the permanent relocation of three HH-52A helicopters to Air Station Miami.

HU-25A SPARES AND SUPPORT

Senator Andrews: Please detail for the record the current situation with regard to spare parts and "on-site" technical representative support for the HU-25A which is now in operational use.

Response: The Coast Guard has obligated $57 million for HU-25A site spares and limited back-up spares being held by the contractor during the warranty period. The site spares are being received as the operational units are activated. Based on our operational experience to date, an in-house effort is underway to identify and procure additional spares which are required to support the HU-25A once the contractor warranty period ends.

As part of the HU-25A contract each operational unit has one technical representative on site from Falcon Jet, Garrett (engine) and Collins (avionics) for three months during site activation. After all site activations are complete the technical representatives will be located at the Coast Guard Aircraft Repair and Supply Center to provide technical support to all the HU-25A units.

RETIRED PAY

Senator Andrews: What legislation do you intend to propose to Congress this year to modify the method of computation and timing of annual cost-of-living adjustments in your retired pay program?

Response: The administration intends to recommend legislation to modify the method of computation and timing of annual cost-of-living adjustments for military retired pay. This legislation will propose:

a. To eliminate the annual cost-of-living adjustment scheduled for May, 1984; and

b. To change the current "age clause" stipulation of the Omnibus Reconciliation Act of 1982 from the "temporary 3 year" to "permanent" status. The existing clause provides essentially that retirees under age 62 and who are not disabled will receive only one-half the annual COLA adjustments for FYs 1983, 1984, and 1985, but not less than 3.3%, 3.6%, and 3.3% for those years, respectively. Also, there is no change in the Act which provides a slippage in annuity entitlements of one month each year for FY 1983 through FY 1985 ... April 1, 1983; May 1, 1984; and June 1, 1985. Additionally, one other existing clause calling for the "rounding down of annuities to the next lowest dollar", is expected to remain unchanged.

RESERVE TRAINING

Senator Andrews: Congress added about $4 million to the Coast Guard budget request of $50,094,000 for Reserve Training in FY 1983. However, this total allocation of $54 million is only sufficient to finance support training for the Coast Guard Reserve at an authorized level of 12,000. This number is 55 percent of that needed for mobilization requirements and does not compare to the average Reserve strength of 86 percent for the other Armed Services Reserve Components. The Coast Guard has not asked for an increase for Reserve Training in FY 1984. What is the Coast Guard doing to increase the number of Reservists?

Response: We have a goal to increase the size of the Selected Reserve to at least 15,500. While this number may change as we implement and refine our new readiness planning system, it is our current target. It is that number for which we have the most immediate need of currently trained and available Reservists upon mobilization. Twelve thousand Selected Reservists is the level for which we can provide full training within the resources that are now identified for the Reserve Program. We recognize that 12,000 is an average strength level, and are working to be above that "floor" at the end of the year.

Senator Andrews: For the record, please detail the training accomplishments and the mobilization status of the Reserve for FY 1983.

Response: The increased participation in Mobilization Exercises is the most significant milestone for training and improvement in mobilization status for the Coast Guard during FY 1983. Two years ago we established a goal requiring 25% of Selected Reservists to participate in an exercise each year. In FY 1981, 10% did so; in FY 1982, the participation exceeded 25% and will continue through FY 1983. The nature of these exercises is also important. Not only did they bring Reservists to their mobilization sites, they included joint exercises such as the U.S. Army's annual REFORGER and SOLID SHIELD.

One of the best measures of Coast Guard Reserve readiness is actual performance of Coast Guard duties. As in FY 1982, Coast Guard Reservists will devote about 1,700,000 hours to accomplishment of Coast Guard peacetime missions as a part of their training for mobilization in FY 1983. Their successful participation in this "on-the-job training" in functions such as small boat operations, port safety and security inspections, search-and-rescue operations and various unit-level maintenance and support activities through augmentation training in part shows their state of readiness. Reservists demonstrated their state of readiness by responding to various emergency operational incidents occasioned by fires, floods, marine casualties, etc., several times throughout the year.

Actual results of our FY 1982 annual readiness evaluations show that over 88 percent of Coast Guard Reserve units attained a readiness rating of C-2 (substantially ready) or higher and that none were C-4 (not ready). Thus, the individual Reserve units currently in our force structure have a considerable capability.

SWATH

Senator Andrews: Describe for the record your small water plane area twin hull (SWATH) planing craft which you have under research evaluation.

Response: The SWATH is not a planing craft. It does not skim or plane across the surface of the water as a conventional planing monohull. The SWATH is a hull design similar in appearance to a catamaran. It consists of twin hulls with a box type structure mounted on top of the two hulls. However, it differs from a catamaran in that the hulls are shaped like torpedoes and are connected to the box structure by thin struts. This places most of the buoyant volume well below the surface of the water and minimizes the waterplane area. Hence, the acronym SWATH stands for small waterplane area twin hull. The main advantage of a SWATH is its seaworthiness which results from its greatly reduced motions in a seaway compared to conventional monohulls. A SWATH will be able to maintain higher speeds than a monohull in adverse sea conditions while minimizing the motions that increase personnel fatigue and reduce personnel effectiveness. The reduced motions also make it possible to land a helicopter aboard a much smaller craft when compared to monohulls. A SWATH cutter is presently being designed by the Coast Guard. All characteristics have not yet been finalized, but it appears that a cutter between 110 and 125 feet long, displacing 300 to 400 tons will be capable of landing a helicopter and performing Coast Guard missions. The design phase should be completed in early 1984.

AIR CUSHION VEHICLES

Senator Andrews: Your justification material indicates that your evaluation of air cushion vehicles for icy water search and rescue showed little potential. Thinking of the January, 1982 airplane crash in the Potomac River, it would be beneficial to the Committee if you would provide additional detail on your evaluation of the potential of air cushioned vehicles in icy water environments.

Response: The potential for Air Cushion Vehicles (ACVs) in icy waters as icebreakers and as search and rescue (SAR) vessels appears to be quite limited. We have previously documented that an ACV does not clear the broken ice from a channel as well as conventional icebreakers. This shortcoming seriously degrades the utility of the ACV as an icebreaker. Also noted were problems with ice puncturing the ACV's flexible seals, thereby disabling the vessel and reducing its potential as a SAR response vessel.

SURFACE-PIERCING HYDROFOIL

Senator Andrews: What is the potential for surface-piercing hydrofoil craft in Coast Guard operations?

Response: The Coast Guard has conducted several evaluations of hydrofoils over the past few years. Initial problems with hydrofoils centered around the foil systems and transmissions. With the latest generation hydrofoils, these problems have largely been solved. While there is a potential use for such a craft in Coast Guard operations, and we will continue to evaluate this potential, there are significant costs, both operational and support, associated with ownership. These costs limit the potential for use of hydrofoils in Coast Guard operations.

INFLATABLES

Senator Andrews: What are advantages of using 25-foot rigid hull inflatable boats in lieu of the present motor surf boats?

Response: The rigid hull inflatable boat can be launched and recovered in rougher weather than the motor surf boat and can approach other vessels and conduct boardings with a lower risk of damage or injury in these rougher conditions. The inflatable body of the boats absorbs impact much better than standard-hulled boats. The much greater speed (35 knots vice 11) of the rigid hull inflatable boat reduces the transit time from the cutter to other vessels. These factors have permitted the Coast Guard to increase productivity in that more boardings can be conducted in a greater variety of weather conditions.

AVERY POINT

Senator Andrews: The Committee directed last year that funds be made available for continued operation of the Coast Guard research and development facility at Avery Point in Groton, Connecticut. What are the obligation levels at Groton? What projects are now underway? What are their projected completion dates?

Response: Funding of R&D Center work totals approximately $5,776,000 this fiscal year, including salaries and operations. The amount budgeted for FY 1984 is $6,054,000. Projects currently underway, and their estimated completion dates are as follows:

Improved Probability of Detection in Search and Rescue	1987
Harbor Monitoring System	1984
Loran-C Harbor and Harbor Entrance Survey	1983
Loran-C Guidance Equipment Project	1983
Global Positioning System Evaluation	1988
R&D Support for Office of Engineering	Continuous
Marine Fire and Safety Research	Continuous
Arctic Oil Spill Behavior	1985
Hazardous Chemical Discharge Prevention and Reduction	1983
Hazardous Chemical Analysis for Law Enforcement	1990
Hazardous Chemical Personnel Protection	1989
Laser Aids to Navigation	1984
Command and Control Loran-C Navigation	1983
Advanced Marine Vehicles	1988

ALTERATION OF BRIDGES

Senator Andrews: With regard to alteration of bridges, last year the Senate initiated funding relative to the Willamette River bridge in Portland, Oregon. However, your budget request for fiscal year 1984 includes no continuation of that project. Why? What would be an appropriate level-of-effort funding for this project in fiscal year 1984, assuming the funds were available?

Response: Coast Guard Appropriations totaled $12.7M in FY83. The $1.8M allocated to the Willamette River Bridge will be adequate to fund all the engineering design work required before construction can commence. It is not anticipated that construction can commence before FY85.

Senator Andrews: Provide for the record a list of bridges for which notices to alter have been issued in accordance with provisions of Section 3 of the Truman-Hobbs Act?

Response: The following list, items 1 through 11, are bridges ordered to be altered by the Corps of Engineers prior to 1967 and altered using Coast Guard funds afterwards. Items 12 through 21 were ordered to be altered by the Coast Guard and alterations have been completed. Items 22 through 24 are under construction and item 25 is now in the design stage.

Waterway, Location, Owner

1. Calumet R., Chicago, IL, N&W RR
2. Berwick Bay, Morgan City, LA, SP RR
3. Calumet R., Chicago, IL, CW/C&WI RR
4. NE Cape Fear R., Wilmington, NC, SCL RR
5. Chattahoochee R., Columbia, AL, SW RR
6. GIWW, Gulf Beach, FL, Hwy 292
7. Chattahoochee R., Alaga, AL, SCL RR
8. Illinois R., Beardstown, IL, BN RR
9. Elizabeth R., Norfolk, VA, N&W RR
10. Calumet R., Chicago, IL, EJ&E RR
11. Chattahoochee R., Alaga, AL, Hwy 84

12. Columbia R., Kennewick, WA, UP RR
13. Caloosahatchee R., Tice, FL, SCL RR
14. Savannah R., Savannah, GA, SCL RR
15. Cooper R., Charleston, SC, SCL RR
16. Back Bay of Biloxi, MS, Popps Ferry Hwy
17. Napa R., Brazos, BA, SP RR
18. Mississippi R., Hastings, MN, CMSTP&P RR
19. Clearwater River, Lewiston, ID, ID-DOT *
20. Illinois R., Pearl, IL, ICG RR
21. GIWW, Houma, LA, SPTCo.

22. Three Mile Creek, Mobile, AL, ASD
23. Illinois R., Peoria, IL, P&PU RR
24. Pt. Pleasant Canal, Pt. Pleasant, NJ, NJDOT

25. Willamette R., Portland, OR, BN Inc.

*Project deactivated subsequent to Order to Alter due to change in navigation requirements.

MARINE ENVIRONMENTAL PROTECTION

Senator Andrews: Workload estimates for FY 1983 are generally at or below activity levels in FY 1982 in important environmental protection activities such as oil and hazardous substance spills. FY 1984 estimates are even lower. Are these estimates a reflection of reduced Coast Guard capability or optimistic predictions of what the number of incidents will be?

Response: The workload data estimates on the number of oil and hazardous substances spills is a projection based on reported spills over a period of five years. These figures indicate a downward trend in the number of spill incidents. We are optimistic that this trend will continue and hope it reflects our efforts in enforcing pollution prevention regulations, industry's efforts in improving training and equipment, and an increased concern for the environment by the public. However, the number of spills are generally proportional to the amount of petroleum and chemicals being transported. Recent economic conditions have impacted both the oil and chemical industries, reducing the amount of these commodities in transit. Improvement in the economy could increase transportation of these products and the number of pollution incidents. The number of spills reported may reflect, in part, a decrease in our pollution patrols, but this impact would be relatively minor.

AIREYE SENSORS

Senator Andrews: The prototype AIREYE sensor system is scheduled for delivery in FY 1984. How will the five production model systems be deployed? When? What kinds of pollution substances will the system detect?

Response: Should the prototype system, scheduled for delivery in March 1984, prove satisfactory, the Coast Cuard intends to exercise an option for production of 5 more AIREYE systems in April 1984, with delivery expected over the period April 1985 to March 1986. AIREYE is intended for use with our new HU-25A aircraft. All 41 of these aircraft are configured to accept the AIREYE package. The 6 AIREYE units will be strategically located as shown below for optimum coverage of our coastlines. The systems will be used for multiple missions, including search and rescue, and enforcement of laws and treaties, in addition to port and environmental safety. The system will be able to detect any pollutant that forms a significant surface slick. It will be able to determine if the slick is oil or not. It will not be able to determine the specific composition of non-oil substances.

Unit	Delivery Date	Location
#1	March 1984	Miami
#2	April 1985	Miami
#3	April 1985-March 1986	Cape Cod
#4	April 1985-March 1986	Cape Cod
#5	April 1985-March 1986	Sacramento
#6	March 1986	Sacramento

DEEP-SEA MINING RESPONSIBILITY

Senator Andrews: Is there any reason to believe that the Coast Guard may acquire supervisory responsibility over deep-sea mining in future years? What plans have you made in this regard and what would be its impact on your operational and funding requirements?

Response: At present, the Administrator of the National Oceanic and Atmospheric Administration has primary supervisory responsibility, under the Deep Seabed Hard Minerals Resources Act, P.L. 96-283, over domestic deep-sea mining. The Coast Guard, under this act, has only a relatively small functional role in traditional vessel documentation, safety of life and property at sea, and enforcement responsibilities. We have no plans for a larger role in the future. Due to relatively low activity in this area at present, deep-sea mining issues are not expected to appreciably impact on our operational or funding requirements.

AMMONIA SPILL STUDY

Senator Andrews: What is the status of obligation of the $300,000 provided for fiscal year 1983 to complete the ammonia spill study? Submit and update the January 15, 1983, report for the record.

Response: A copy of the January 1983 status report is included for the record.

The ammonia spill tests are being moved from China Lake (Calif.) to the Department of Energy's Nevada Test Site to circumvent environmental and weather problems. The cost to complete the study will exceed $300,000; however, the Fertilizer Institute and other government and industry groups have offered to supplement the Coast Guard's contribution up to the $153,000 additional required. We intend to complete all experiments by the end of fiscal year 1983, and to analyze data and report findings by mid fiscal year 1984.

(The report follows:)

Coast Guard Ammonia Spill Study

The Coast Guard has been working with The Fertilizer Institute (TFI) since 1978 on a research program to conduct tests of large-scale anhydrous ammonia releases at the U.S. Naval Weapons Center (NWC), China Lake, California. TFI, an association representing the fertilizer industry, is concerned with the storage and pipeline safety at fertilizer manufacturing plants. Their concern stems from several major accidental releases during the last ten years. Because of their concern, TFI funded the planning phase of the research.

The purpose of the spill test program is to investigate and characterize the behavior and hazard potential of anhydrous ammonia from a series of controlled experimental releases. The original test plan included a total of 13 tests: five small-scale releases on water, five small-scale releases on land, and three large-scale releases on land. Only three of the water spill tests have been conducted; however, because of climatological difficulties no useful data were obtained.

Each test requires wind speed and direction to be within specified limits. Despite a historically high probability for the occurrence of the desired conditions at the test site, only three tests were completed over a period of nine months in 1981-82 while waiting for the proper conditions. In this time period, approximately 25 attempts were made based upon predicted favorable weather conditions, but then were aborted when conditions proved otherwise.

Several meetings were held with TFI during 1982 to review the project status, finances, test plan and schedule. At the first of these meetings in March 1982, the Coast Guard restated its commitment to the successful completion of the program and outlined a course of action. In November, 1982, TFI organized a meeting between industry, Coast Guard, and NWC representatives to review 1982 difficulties and outline the 1983 approach. Because of the delays and apparent infrequency of favorable conditions, TFI sought a modification of the test plan that would include only the largest scale tests and not "waste" good test days on smaller scale releases.

NWC would not agree to the proposed modification for safety reasons. NWC requires small scale tests to determine whether large scale releases can be performed safely. There is concern that the concentration levels in the dispersing cloud will persist at unsafe levels at populated downwind locations on NWC property and at several small towns beyond NWC boundaries.

In lieu of actual spill results, mathematical simulations were performed by Coast Guard, Arthur D. Little, Inc., and Lawrence Livermore National Laboratory (LLNL). These indicated a strong probability that significant concentrations would be experienced at the populated locations. Based upon these predictions the large scale tests were determined to be unsafe.

Lawrence Livermore National Laboratory (LLNL) had been constructing a spill facility at the Nevada Test Site (NTS), as part of the Liquefied Gaseous Fuels Safety Program they were performing for the Department of Energy (DOE). DOE cancelled the program and consequently LLNL was forced to alter plans for completion of the facility in 1983. LLNL has obtained use of the Frenchman's Flat area of NTS and has pursued the development of a permanent spill test facility on this location by seeking joint sponsorship from industry and government. During their efforts to seek interested users for the facility, LLNL was approached by the US Air Force with a request for a spill program involving releases of nitrogen tetroxide (N_2O_4). LLNL also approached the Coast Guard to determine whether there existed a need for LLNL assistance in performing the ammonia spill study.

At the time of the November meeting, use of the LLNL/NTS facility was believed to be too costly; however, since that time, LLNL has proposed a joint Air Force/Coast Guard spill program involving nitrogen tetroxide and anhydrous ammonia. A joint program as proposed has the advantage of reducing the costs to each party by utilizing the same data acquisition equipment, similar concentration sensors, a similar configuration for the releases of both substances, and the same research team. In addition, LLNL has identified three other potential sponsors to share the costs. The Frenchman's Flat location at NTS is not affected by the same safety constraints as at NWC. Preliminary estimates for this joint program indicate that the Coast Guard share would be $300K for a series of large scale tests in FY83, with data analysis and reporting of results in FY84. The general test plan proposed by LLNL favors the industry position of performing only the large-scale releases, and should accomplish the objective in the fastest possible manner, with greater probability for success. This alternative has been reviewed with TFI and NWC, and meets with their approval. If the test plan was continued at NWC and modified to include only releases on land, a funding level comparable to that required by LLNL would be needed, with a much lower probability for success. It is the Coast Guard's intention to move the ammonia spill program to NTS where LLNL will assume responsibility for performing the tests.

Planning for FY83 now involves completing the shift to NTS during the second quarter FY83. The Coast Guard has requested a formal proposal from LLNL describing the test plan, facility, cost and schedule. LLNL is currently preparing this document, which should be available by the end of January. Arrangements will be required for shutting down the facility at NWC. It is estimated that $30K will be required by NWC to dismantle the test sensors and prepare them for shipment.

A planning meeting is scheduled to be held at LLNL on 18-19 January, to discuss the joint Air Force/Coast Guard program. In addition, a visit to NWC to discuss closing the ammonia spill study at NWC is planned for 20 January. The preliminary schedule indicates that LLNL will have the spill facility ready for the Air Force tests beginning in April 1983. The Coast Guard ammonia program will then follow-on immediately in August-September. The testing program would therefore be completed by the end of FY83. Data analysis and reporting of the results should be completed during the first half of FY84.

"MARINE ELECTRIC" SINKING

Senator Andrews: Detail for the record the events leading up to, and the response during and after, the sinking of the 605-Foot coal freighter MARINE ELECTRIC.

Response: A. Events Preceding the Casualty:

1. The MARINE ELECTRIC departed Hampton Roads, VA on 11 Feb 1983 with 24,000 tons of pulverized coal. The vessel was enroute to Brayton Point, Mass. At 1530 on 11 Feb 1983, the SS MARINE ELECTRIC spotted the F/V THEODORE which was taking on water and which was uncertain of its position. At 1615, the MARINE ELECTRIC advised the Coast Guard (CG) of the F/V THEODORE's position and volunteered to stand by the vessel until the USCGC POINT HIGHLAND could arrive on scene. The MARINE ELECTRIC changed course to assist and stayed with the THEODORE until 1830 when she asked the Coast Guard for permission to be released because she was taking excessive water over the starboard side. Permission to depart was granted by the Coast Guard and the MARINE ELECTRIC continued on her voyage to Brayton Point, Massachusetts.

2. The weather forecast for 11 Feb 1983 had been for a winter storm from the Northeast, temperatures below 40 degrees fahrenheit and 15 - 20 foot seas. The weather on scene 12 Feb 1983 was air temp 31 degrees fahrenheit, seas N 12-15 feet, winds N at 20 knots.

3. On 12 Feb 1983 at approximately 0230, the master determined that the vessel had taken on water forward and was going down by the bow. The chief engineer started to pump out the starboard wing tanks and the chief mate commenced preparations for abandoning ship, i.e., making ready lifeboats and rafts for launching.

4. At 0251 12 Feb 1983, the vessel reported to CG Group Eastern Shore that it was in danger of sinking. The crew was mustered in preparation for abandoning ship soon thereafter.

5. Between 0356-0408 the vessel listed 10 degrees to starboard; the list increased rapidly to 15 degrees by abandonment at 0414.

6. The master reported to the CG that he was abandoning ship just before the vessels list increased dramatically and suddenly (approximately 0414), and the vessel capsized throwing the ship's personnel into the water.

B. Rescue Phase

1. On 12 Feb 1983 at 0251 vessel reports to CG Group Eastern Shore that it is in danger of sinking.

2. 0325 CGC POINT HIGHLAND (82' Patrol Boat) diverted (35 miles from scene).

3. 0330 CGC CHEROKEE (Medium Endurance Cutter) diverted (60 miles from scene).

4. 0350 CGC POINT ARENA (82' Patrol Boat) underway.M/V BERGANGER and M/V TROPIC SUN diverted (3 hrs from scene).

5. 0413 HH 3F CG 1471 Airborne from Coast Guard Air Station Elizabeth City (CGASECITY).

6. 0414 Vessel Reports Abandoning Ship.

7. 0509 Navy Helo (SH3G 747) Airborne from NAS OCEANA. CG HC 130 Airborne from CGASECITY.

8. 0513 HH3F CG 1434 Airborne from CGASECITY.

9. 0520 First CG Unit on scene HH3F CG 1471. (Vessel had been capsized for 66 minutes).

10. 0542 CG HC 130 on scene assumed On Scene Commander.

11. 0550 M/V TROPIC on scene.

12. 0615 CGC POINT HIGHLAND, HH3F CG 1434 + SH3G 747 on scene.

13. 0615-0708 CG Units engaged in search for survivors, etc.

14. 0708 HH3F CG 1471 + SH3G 747 enroute Salisbury, MD with 6 persons on board (including all 3 survivors).

15. 0926 CGC CHEROKEE on scene assumed the duties of On Scene Commander.

16. On 13 Feb 1983 at 1800 CG search suspended.

RECAP OF RESPONSE:

3 CG vessels involved

CGC CHEROKEE
CGC POINT HIGHLAND
CGC POINT ARENA

2 Merchant Vessels Involved

M/V BERANGER
M/V TROPIC SUN

3 CG Aircraft involved

HH3F 1434
HH3F 1471
HC 130

1 Navy Aircraft involved
SH3G 747

Results of Search

3 survivors
24 bodies
7 missing (presumed drowned)

Total search time - 36 hrs 40 minutes
0520 12 Feb 83 - 1800 13 Feb 1983

C. The Marine Board of Investigation

The Coast Guard and National Transportation Safety Board are conducting a joint investigation which convened in City Council Chambers, Portsmouth, Va, on 16 February 1983. Between 16 Feb and 24 Feb the three survivlors, company personnel concerned with vessel maintenance and persons involved in loading the vessel testified. CG witnesses were the Chief of Search and Rescue, Fifth CG District (CCGD5) and the first CG pilot on scene.

The Board has recessed until about 21 March 1983. During this period Marine Board members will review American Bureau of Shipping (ABS) records, receive preliminary divers reports, make initial stability studies and develop information on characteristics of the cargo. The board will possibly visit a similar vessel and generally prepare for what is assumed to be a final 7 - 10 days of testimony involving CG inspectors, ABS surveyors, owners, representatives of the hatch cover manufacturer and the regular master who left the ship on 8 Feb. The Board also expects to be able to complete the questioning of Chief Mate Robert CUSICK, one of the 3 survivors, whose testimony was interrupted by concerns for his health.

D. Vessel Particulars and Inspection Data

VESSEL PARTICULARS

Name:	MARINE ELECTRIC
Official No.:	245675
Service:	Dry Bulk Carrier
When Built:	1944
Gross Tons:	13,757
Net Tons:	9,226
Length:	587.7 ft
Breadth:	75.0 ft
Depth:	47.3 ft.
Propulsion:	Steam Turbine
H.P.:	7240
Homeport:	Wilmington, Delaware
Owner:	Marine Transport Lines, Inc.
Operator:	Marine Coal Transport Corporation 5 Hanover Square New York, NY 10004

Originally constructed as a T-2 tanker GULF MILLS. Rebuilt in 1962 as a bulk carrier by the insertion of a new mid body using the bow and stern (machinery) sections of the original vessel.

INSPECTIONS:

U.S. COAST GUARD

21 February 1981 - MSO Jacksonville, FL
Drydock Examination

8 June 1981 - MSO Providence, R.I.
Certificate of Inspection

2 July 1981 - MSO Providence, R.I.
Special Inspection after grounding

June 1982 - MSO Hampton Roads, VA
Starboard Boiler Hydrostatically tested

18 June 1982 - MSO Providence, R.I.
Mid-Period Examination

22 December 1982 - MSO Providence, R.I.
Special Inspection for Extension of Drydocking

(Original due date for drydock February 1983)

AMERICAN BUREAU of SHIPPING

26 December 1980 - 22 February 1981, Jacksonville, Florida

Drydocking Survey
Annual Classification Survey
Annual LoadLine Inspection
Special Survey Hull No. 8
Special Survey Machinery
Cargo Ship Safety Construction Survey
Hull Repairs

Recommended retain in Class
Issued LoadLine Certificate
22 February 1981
Issued Interim Cargo Ship Safety
Certificate 22 February 1981

24 February 1982, Baltimore, Maryland

Annual Survey - Hull
Annual Survey - Machinery
Annual LoadLine Inspection

Recommended retain in Class
Load Line Certificate endorsed
24 February 1982

Senator Andrews: Are you contemplating any changes in your inspection procedures or requirements as a result of this tragedy?

Response: The Marine Board of Investigation is still in process and, therefore, it is premature to discuss possible findings or recommendations. However, there are two preliminary recommendations made by survivors which were discussed during the Board's initial sessions.

1. All survivors and Coast Guard search and rescue personnel have recommended that vessels such as the MARINE ELECTRIC be provided with survival suits for all crew members.

   The Coast Guard published a proposed rule on 3 Feb 1983 which if adopted as proposed, would have required survival suits on the vessel because of her destination. The specific area where she sank would not have required survival suits under the proposed rule.

2. The survivor that was in a life raft recommended an improved ladder for raft access from the water.

VESSEL INVESTIGATIONS

Senator Andrews: What is the basis for your projecting decreases (page OE-5) in foreign flag vessel and merchant marine investigations?

Response: The decrease in foreign flag vessel and merchant marine investigations is reflective of new reporting criteria ($25,000 damage in lieu of $1500 damage), the exclusion of certain costs from this reporting criteria, and implementation of "selective " casualty investigation procedures.

CHILD AND SPOUSE ABUSE

Senator Andrews: Health care funding for the Coast Guard was transferred from the Department of Health and Human Services to the Coast Guard in the FY 1983 appropriation. The Committee maintains its long-standing concern that the Coast Guard be able to sponsor a strong and viable family advocacy service for its members and dependents on par with programs of the other Armed Forces. What has the Coast Guard done to comply with the Committee directive that the Coast Guard continue to work with appropriate State and or local and DoD officials to reduce the incidence of child and spouse abuse?

Response: In response to the Committee directive, a number of initiatives are under way. Our Family Programs Officer is now a member of the DoD Family Advocacy Advisory Committee. This ensures that the Coast Guard develops its program along the same lines as the DoD Services. We actively participate in the National Advisory Committee of the National Center on Child Abuse and Neglect, to ensure that our family advocacy policies and methods meet current nationwide professional standards. A principal function of Coast Guard Family Advocacy Representatives, established at Coast Guard commands, will be that of maintaining a close working relationship with appropriate State and local counseling and enforcement agencies for the reporting and treating of incidents.

Senator Andrews: How has the $500,000 that was specifically recommended for this program been used?

Response: The $500,000 has been budgeted as follows:

Health Promotion/Primary Prevention	$182,000
Personnel Training/Program Implementation	$173,000
Treatment/Intervention	$ 80,000
Data Collection/Research	$ 60,000
DoD Joint Project	$ 5,000

Senator Andrews: Please explain to what extent the Coast Guard and other Armed Forces have developed a system for the exchange of appropriate records and statistics concerning family violence incidents involving authorized health care beneficiaries of each Service cared for by another Service's facilities.

Response: The DoD Family Advocacy Committee has worked extensively on provisions for exchanging Family Advocacy records and statistics. The Coast Guard obtains information on Coast Guard families treated by DoD facilities through the Headquarters-level Family Advocacy Officer. We have made provisions for sharing information with the parent Service of non-Coast Guard military personnel through the Coast Guard Headquarters Family Programs Office.

INTELLIGENCE AND SECURITY PERSONNEL

Senator Andrews: According to your budget justification, the diversion of officers and special agents from their normal intelligence and security functions to intensive enforcement of laws and treaties operations has severely reduced the Coast Guard's ability in the Southeastern United States to perform internal security investigations, background investigations and intelligence analysis. All of this is at a time when your general security workload is substantially increasing. Your budget requests $195,000 and 10 positions to increase your ELT personnel support in the 7th Coast Guard District. Is this amount sufficient? What was your request to the Department for this activity?

Response: Our budget request of $195,000 and 10 positions for increased ELT personnel support in the 7th Coast Guard District will be sufficient when combined with internal reprogramming which has already been accomplished. Our request to the Department for this activity was $190,000 and 15 positions.

AC&I EXPENDITURES FOR DRUG INTERDICTION

Senator Andrews: The Committee directed that $125,000,000 of available Acquisition, Construction, and Improvements funds be used only for assets deployed and dedicated in a manner to maximize their contribution to the Coast Guard drug interdiction program. Please provide details for the record on how this $125 million fund was obligated?

Response: A total of $409 million is available in FY-83 for the Coast Guard's Acquisition, Construction, and Improvements (AC&I) Appropriation. The House-Senate Conference committee designated how these funds were to be spent by project or by category: i.e. vessels, aircraft or shore facilities. More than $284 million of this amount will be used to procure new operating resources and renovate existing units, that contribute significantly to our drug interdiction mission. Planned application of these funds includes $100 million to continue construction of the 270-foot medium endurance cutters, $6 million for repair of three ex-Navy medium endurance cutters, $16 million for renovation of 210-foot medium endurance cutters, $6 million for procurement of an interdiction patrol boat, $19 million for medium range aircraft and $138 million for ship deployable helicopters.

LIGHTHOUSE AUTOMATION PROGRAM (LAMP)

Senator Andrews: Since the beginning of the Lighthouse Automation Program, over 350 manned lighthouses have been automated, although the Coast Guard still operates 45 manned lights. Please detail for the record, by state or other geographic location including states, a list showing: (1) the location, age, name, and historical significance (if any) of each of the lighthouses; (2) the date of automation, noting which automations are presently underway; (3) the cost, in 1984 dollars, of automating each of the remaining lighthouses; (4) the net anticipated annual cost avoidance and personnel savings associated with each pending or future automation.

Response: Enclosures 1 and 2 are a breakdown of Coast Guard Lighthouses.

ACCELERATION OF LAMP PROGRAM

Senator Andrews: Putting aside for a moment the question of funding restraints, what would be the most cost-beneficial approach to the automation program? What specific 1984 appropriation and program level would be required for such an initiative?

Response: Even disregarding budgetary constraints, LAMP would not benefit from a large infusion of funds in any given year. District engineering staffs would not be able to design and execute a quantum increase in automations, retrofits, and preservation hardening projects. LAMP operates best on an orderly schedule of projects intended to most efficiently administer the program. Funding of LAMP at requested levels would be the most efficient way to support it.

U.S. COAST GUARD LIGHTHOUSES

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI-STER	AUTO-MATION DATE
12	Alcatraz	CA		129	X	63
13	Alki Point	WA	X	96		
7	Alligator Reef	FL		110		
9	Algoma	WI		90		73
9	Alpena,	MI		96		74
3	Ambrose	NY	X	16		
7	Amelia Island	FL		144		
7	American Shoal	FL		103		
11	Anacapa Island	CA		71		68
7	Anclote Keys	FL		96		53
1	Annisquam Harbor	MA		182		74
8	Aransas Pass	TX		128		
7	Arecibo	PR		85		64
9	Ashtabula Harbor	OH	Replaced 1982 with AGA tower			
5	Assateague	VA		150	X	
9	Au Sable	MI		26		58
1	Baker Island	ME		155		
1	Bakers Island	MA				72
11	Ballast Point	CA				71
5	Baltimore Light	MD		75		
8	Barataria Light	LA		126		
14	Barbers Point	HI		95		64

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI- STER	AUTO- MATION DATE
1	Bass Harbor Head	ME		125		74
1	Bear Island	ME		144		81
1	Beavertail	RI		127		72
3	Bergen Point	NY		133		
9	Big Sable	MI		116		71
1	Block Island SE	RI	X	108		
5	Bloody Point Bar	MD		101		
7	Boca Grande	FL		51		
5	Bodie Island	NC		135	X	
1	Boon Island	ME		172		79
1	Borden Flats	MA				63
1	Boston	MA	X	287		
3	Brandywine Shoal	NJ		69		74
1	Brant Point	MA				
8	Brazos Santiago Pass	TX		130		
1	Brenton Reef	RI		21		
3	Bridgeport Harbor Brkwtr	CT		89		
1	Browns Head	ME	X	151		
13	Brown's Point	WA				63
7	Buck Island	VI		67		
9	Buffalo Harbor	NY		22		63
1	Burnt Coat Harbor	ME		111	X	75
1	Burnt Island	ME	X	162		
13	Burrows Island	WA		77		72
1	Butler Flats	MA				78
1	Buzzards Bay Entrance	MA		22		80
7	Cabo Rojo	PR		104		67
7	Cabo San Juan	PR	X	103		
9	Calumet Harbor S End	IL		48		67
1	Cape Ann	MA		211	X	80
13	Cape Arago	OR		117		66
13	Cape Blanco	OR		113		79
7	Cape Canaveral	FL		135		65
5	Cape Charles	VA		156		63
17	Cape Decision	AK		54		74
13	Cape Dissapointment	WA		127		
1	Cape Elizabeth	ME		154	X	66
13	Cape Flattery	WA		126	X	77
5	Cape Hatteras	NC		185	X	
5	Cape Henry	VA	X	102		
17	Cape Hinchinbrook	AK		73		74
14	Cape Kumukahi	HI		64		
5	Cape Lookout	NC	X	171	X	
3	Cape May	NJ		160	X	
13	Cape Meares	OR		93		
12	Cape Mendocino	CA		115		
1	Cape Neddick	ME	X	104		
17	Cape St Elias	AK		67	X	74
8	Cape St George	FL		150	X	
8	Cape San Blas	FL		134		81
12	Cape San Martin	CA		49		
17	Cape Spencer	AK		70	X	74
7	Carysfort Reef	FL		131		
1	Castle Hill	RI		93		
7	Cayo Cardona	PR		68		

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI-STER	AUTO-TION DATE
9	Chambers Island	WI		115		
8	Chandeleur	LA		135		
3	Chapel Hill Range	NY		127		
7	Charleston	SC		21		75
1	Chatham	MA		175		
9	Cheboygan Crib	MI		99		
9	Chequamegan Point	WI				
5	Chesapeake	VA		18		80
9	Chicago Harbor	IL		90		79
1	Cleveland East Ledge	MA				78
9	Cleveland Hrbr W Prhd	OH		72	X	65
3	Cold Spring Harbor	NY		93		
1	Conimicut	RI		115		66
3	Coney Island	NY	X	93		
9	Conneaut W Breakwater	OH		66		72
9	Copper Harbor	MI		134		
5	Cove Point	MD	X	155	X	
5	Craighill Chan Rng Front	MD		110		64
5	Craighill Chan Rng Rear	MD		110		
12	Crescent City	CA		25		
9	Crisp Point	MI		79		
8	Crooked River	FL		88	X	
1	Cuckolds, The	ME		91		74
5	Currituck Beach	NC		108	X	
1	Curtis Island	ME		147	X	72
1	Deer Island	MA	Replaced 1982 with AGA tower			
1	Deer Island Thorofare	ME				
3	Delaware Breakwater	DE		98		
13	Destruction Island	WA		92		68
9	Detour Reef	MI		52		74
9	Detroit River	MI		128		79
9	Devils Island	WI		92	X	78
14	Diamond Head	HI		84		
5	Diamond Shoals	NC		17		77
1	Doubling Point Range	ME		85		80
7	Dry Tortugas	FL	X	157		
9	Duluth Harbor S Brkwtr	MN		82		76
1	Duxbury Pier	MA				64
9	Eagle Harbor	MN		132		80
1	Eagle Island	ME		144		
2	East Brother Island	CA				69
1	East Chop	MA		117		
1	Eastern Point	MA	X	151		
3	Eatons Neck	NY		184	X	
13	Ediz Hook	WA		118		
1	Egg Rock	ME		108	X	76
7	Egmont Key	FL	X	135		
3	Elbow of Cross Ledge	DE		76		68
17	Eldred Rock	AK		78	X	73
9	Escanaba	WI				76
3	Execution Rocks	NY		133		79
9	Fairport W Breakwater	OH		73		
3	Falkner Island	CT		181		78
12	Farallon Island	CA		128	X	72
3	Fenwick Island	DE		125	X	

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI-STER	AUTO-MATION DATE
3	Fire Island	NY		156		74
17	Five Finger	AK	X	81		
9	Fort Gratiot	MI		158	X	68
1	Fort Point	ME	X	147		
9	Forty-Mile Point	MI		86		69
3	Fourteen Foot Bank	DE		107		72
9	Fourteen Foot Shoal	MI		53		
7	Fowey Rocks	FL		105		74
9	Frankfort N Breakwater	MI		10		
1	Franklin Island	ME		178		
5	Frying Pan Shoals	NC		19		79
9	Galloo Island	NY				63
1	Gay Head	MA		184		59
7	Georgetown	SC	X	182	X	
1	Goat Island	ME	X	150		
1	Goose Rocks	ME		93		64
3	Governor's Island Light	NY		95		
9	Grand Haven S Prhd	MI		112		69
9	Grand Traverse	MI		131		72
9	Gravelly Shoal	MI		44		
1	Graves, The	MA		78		76
13	Grays Harbor	WA		85	X	
9	Grays Reef	MI		47		76
3	Great Captain Island	CT		154		70
1	Great Duck Island	ME	X	93		
1	Great Salt Pond	RI				
9	Green Bay Harbor	WI		48		79
3	Greens Ledge	CT		81		72
17	Guard Island	AK		80		69
1	Halfway Rock	ME		112		75
7	Hams Bluff	VI		96		75
9	Harbor Beach	MI		125		68
3	Harbor of Refuge	DE		82		73
13	Heceta Head	OR		89	X	63
3	Hell Gate	NY		82		
1	Hendricks Head	ME		154		
3	Hereford Inlet	NJ		109		64
1	Heron Neck	ME		129		82
1	Highland	MA	X	185		
7	Hillsboro Inlet	FL		76		74
1	Hog Island Shoal	RI		82		64
5	Hooper Island	MD		81		
1	Hospital Point Range	MA		112		
3	Hudson City	NY		109		
9	Huron Harbor	OH		148		72
9	Huron Island	MI		106		72
9	Indiana Harbor E Brkwtr	IN		48		76
7	Isla Caja Muertos	PR		97		45
7	Isla Culebrita	PR		101		64
7	Isla Mona	PR		83		73
1	Isle Au Haut	ME		76		
1	Isle of Shoals	NH	X	162	X	
7	Jupiter Inlet	FL		123	X	65
14	Kauhola Point	HI		71		
9	Kenosha	WI		127		

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI- STER	AUTO- MATION DATE
9	Kewaunee Pierhead	WI		92		
9	Keweenaw Lower Entrance	MI		127		73
9	Keweenaw Upper Entrance	MI		109		63
14	Kilauea Point	HI		74	X	74
9	LaPointe	MI		131		64
9	Lake St. Clair	MI		42		
9	Lansing Shoal	MI		55		76
3	Latimer Reef	CT		99		74
1	Libby Island	ME		166		74
13	Lime Kiln	WA		69	X	
12	Lime Point	CA		100		
3	Little Gull Island	NY		177		78
1	Little River	ME		136		75
9	Little Sable	MI		109		
9	Little Traverse	MI		99		63
3	Lloyds Harbor	NY		71		
11	Long Beach	CA		34		72
1	Long Island Head	MA		163		
1	Long Point	MA		156		
9	Lorain Harbor	OH		17		66
11	Los Angeles	CA		70		73
1	Lubec Channel	ME		93		
9	Ludington N Breakwater	MI		103		
3	Lynde Point	CT		144		78
14	Makapuu Point	HI		75	X	74
9	Manistee	MI		108		
9	Manistique	MI		68		69
9	Manitou Island	MI				78
9	Manitowoc Breakwater	WI		85		71
1	Marblehead	MA		147		
9	Marblehead	OH		162		
9	Marquette	MI		28		
13	Marrowstone Point	WA		95		
1	Marshall Point	ME		151		81
9	Martin Reef	MI		56		74
17	Mary Island	AK		80		69
8	Matagorda	TX		131		59
1	Matinicus Rock	ME	X	156		
9	Menominee	MI		106		72
3	Miah Maull Shoal	NJ		74		74
9	Michigan City E Pierhead	IN		79		
9	Michigan Island	WI		126		
9	Middle Island	MI		78		
12	Mile Rocks	CA		77		66
9	Milwaukee Breakwater	WI		57		66
9	Minneapolis Shoal	MI		48		79
1	Minots Ledge	MA		132		
8	Mobile Point	AL		161		81
14	Molokai	HI		74		66
1	Monhegan Island	ME		133		
3	Montauk Point	NY	X	186	X	
1	Moose Peak	ME		156		72
12	Morro Bay	CA		18		
1	Mount Desert	ME		153		77
13	Mukilteo	WA		77	X	79

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI-STER	AUTO-MATION DATE
9	Muskegon S Breakwater	MI		55		
1	Nantucket Great Point	MA		165		
1	Nash Island	ME		145		
1	Nauset Beach	MA		144		
7	Navassa Island	CARRIBBEAN SEA		66		
14	Nawiliwili	HI		77		
1	Ned Point	MA		146		
8	New Canal	LA		144		
13	New Dungeness	WA		126		76
3	New London Harbor	CT		75		
3	New London Ledge	CT	X	75		
1	Newburyport Harbor	ME		195		
1	Newport Harbor	RI		159		
5	Newport News Middle Grnd	VA		112		55
1	Nobska Point	MA	X	154		
3	North Brother Island	NY		30		70
3	North Dumpling	NY		134		
13	North Head	WA		85	X	
9	North Manitou Shoal	MI		48		80
5	Oak Island	NC		25		
5	Ocracoke	NC		185	X	55
3	Old Orchard Shoal	NY		90		
5	Old Point Comfort	VA		181	X	72
3	Old Reedy Island	DE		144		
9	Ontanogan	MI				
3	Orient Point	NY		84		58
9	Oswego Harbor W Prhd	NY		22		68
9	Outer Island	WI		109		
1	Owls Head	ME	X	157	X	
7	Pacific Reef	FL		62		
8	Pass Manchac	LA		144		
9	Passage Island	MI				78
13	Patos Island	WA		90	X	24
14	Pauwela Point	HI		73		64
3	Peck Ledge	CT		77		
1	Pemaquid Point	ME		156		
3	Penfield Reef	CT		107		72
7	Pensacola	FL		158		
1	Perkins Island	ME		85		
1	Petit Manan	ME		166		72
12	Piedras Blancas	CA		104		75
12	Pigeon Point	CA		111	X	74
9	Plum Island	NY				78
1	Plymouth	MA	X	215	X	
9	Poe Reef	MI		54		74
12	Point Arena	CA		113		77
11	Point Arguello	CA		82		73
9	Point Betsie	MI	X	125		
12	Point Blunt	CA				75
12	Point Bonita	CA		128		81
7	Point Borinquen	PR		94		76
12	Point Cabrillo	CA		74		72
11	Point Conception	CA		127		73
12	Point Diablo	CA		60		
13	Point Grenville	WA		16		79

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI-STER	AUTO-MATION DATE
11	Point Hueneme	CA		109		72
1	Point Judith	RI		126		
11	Point Loma	CA		128		73
12	Point Montara	CA		108		70
5	Point No Point	MD		78		
13	Point No Point	WA		109	X	77
12	Point Pinos	CA		128	X	75
17	Point Retreat	AK		79		73
12	Point Reyes	CA		113	X	75
13	Point Robinson	WA		98		78
12	Point Sur	CA		94		72
7	Point Tuna	PR	X	91		
11	Point Vicente	CA		57		73
12	Point Wilson	WA		69	X	76
9	Pointe Aux Barques	MI		136	X	
1	Pomham Rocks	RI		112		74
7	Ponce de Leon	FL		13		
1	Pond Island	ME		162		
9	Port Sanilac	MI		97		
9	Port Washington Brkwtr	WI		48		75
1	Portland Head	ME	X	192	X	
1	Portsmouth Harbor	NH		212		
9	Poverty Island	MI		109		
9	Presque Isle	PA		110		70
9	Presque Isle Harbor	PA		43		
1	Prospect Harbor Point	ME		133		
1	Prudence Island	RI		121		
7	Puerto San Juan	PR		130		
7	Punta Higuero	PR		91		
7	Punta Mulas	PR		98		
1	Race Point	MA		167		72
3	Race Rock	NY		105		78
1	Ram Island	ME		48		66
1	Ram Island Ledge	ME		78		65
9	Rasberry Island	WI		121		
9	Rawley Point	WI		89		
3	Robbins Reef	NY		144		66
9	Rochester Harbor	NY		155	X	68
9	Rock of Ages	MN		75		78
1	Rockland Breakwater	ME		95		64
3	Romer Shoal	NY		97		66
9	Round Island Passage	MI		36		
3	Rondout Creek	NY		83		54
8	Sabine Bank	TX		77		
8	Sabine Pass East, Jetty	TX		75		
1	Saddleback Ledge	ME		144		55
7	St Augustine	FL		159		56
9	St Clair Flats Canal	MI		48		70
1	St Croix River	ME		126		58
7	St Johns	FL		29		67
8	St Joseph Point Rng Rear	FL		81		
8	St Marks Range	FL		152		
9	St Martin Island	MI		78		
7	St Simon	GA		172		66
1	Sakonnet	RI		74		

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGI- STER	AUTO- MATION DATE
12	San Louis Obispo	CA		93		
7	Sand Key	FL		157	X	
9	Sandusky Pierhead	OH		62		
3	Sandy Hook	NJ		219	X	
5	Sandy Point Shoal	MD		125		63
7	Sanibel Island	FL		99	X	
1	Sankaty Head	MA		133		65
11	Santa Barbara	CA		127		
12	Santa Cruz	CA		114		
3	Saugerties	NY		147		55
7	Savannah	GA		19		
3	Saybrook Breakwater	CT		97		68
17	Scotch Cap	AK		5		71
1	Seguin	ME	X	188	X	
17	Sentinel Island	AK		73		66
5	Sevenfoot Knoll	MD		128		
5	Sharps Island	MD		145		
9	Sheboygan Breakwater	WI		68		
9	Sherwood Point	WI	X	100		
8	Ship Island	MS		130		
3	Ship John Shoal	NJ		106		73
13	Slip Point	WA		78		77
13	Smith Island	WA		125	X	77
5	Smith Point	VA		114		71
7	Sombrerro Key	FL		125		
9	South Bass Island	OH		86		
9	South Buffalo S Side	NY		80		63
8	South Pass	LA		108		
8	South Pass Front Range	LA		64		
12	South Hampton Shoals	CA		78		
3	Southwest Ledge	CT		106		53
8	Southwest Pass Ent	LA	X	54		
9	Spectacle Reef	MI				72
1	Spring Point Ledge	ME		86		
1	Squirrel Point	ME	X	85		
3	Stamford Harbor	CT		42		53
9	Stannard Rock	MI		101		
3	Stepping Stones	NY		106		67
1	Straitsmouth	MA		48		
3	Stratford Point	CT		161		71
3	Stratford Shoal	CT		146		71
9	Sturgeon Bay Light	WI		84		
9	Sturgeon Bay Canal Phd	WI		80		
9	Superior Entry S Brkwtr	WI		70		70
3	Swash Channel	NY		18		
1	Tarpaulin Cove	MA		165		
9	Tawas	MI		130		
8	Tchefuncta River Range	LA		73		
1	Ten Pound Island	MA		162		59
5	Thimble Shoal	VA		111		64
5	Thomas Point Shoal	MD	X	108	X	
3	Throggs Neck	NY		22		71
9	Thunder Bay Island	MI		151		80
9	Tibbetts Point	NY		156		
9	Toledo Harbor	OH		69		66

DISTRICT	NAME	STATE	MANNED	AGE	NAT'L REGISTER	AUTOMATION DATE
17	Tree Point	AK		80		70
12	Trinidad Head	CA		112		74
5	Turkey Point	MD		150		
13	Turn Point	WA		90		74
1	Two Bush Island	ME		86		64
9	Two Harbors	MN		91		82
7	Tybee	GA		192		
13	Umpqua River	OR		126	X	
1	Warwick	RI	X	156		
3	Watch Hill	RI	X	176		
13	Waterman Point	WA		78		
9	Waukegan Harbor	IL		94		69
3	West Bank	NY	X	82		
1	West Chop	MA		165		75
13	West Point	WA	X	102	X	
1	West Quoddy Head	ME	X	175	X	
1	Whaleback	MA		152		
9	White Shoal	MI		73		76
9	Whitefish Point	MI		134	X	70
1	Whitehead	ME		69		82
1	Whitlocks Mill	ME		101		69
7	Windward Point	CUBA		34		67
9	Wind Point	WI		83		
5	Wolf Trap	VA		113		71
1	Wood End	MA		111		
1	Wood Island	ME	X	175		
13	Yaquina Head	OR		110		66
12	Yerba Buena Island	CA		108		

MANNED LIGHTS

DISTRICT	NAME	AUTOMATION SCHEDULED	AUTOMATION COST*	COST AVOIDANCE**
13	Alki Point, WA	86	12K	41K
3	Ambrose, NY	85	152K	182K
1	Block Island SE, RI	84	60K	44K
1	Boston, MA	90	50K	57K
1	Browns Head, ME	88	15K	50K
1	Brunt Island, ME	88	15K	17K
7	Cabo San Juan, PR	IN PROGRESS	47K	39K
5	Cape Henry, VA	IN PROGRESS	77K	186K
5	Cape Lookout, NC	IN PROGRESS	121K	22K
1	Cape Neddick, ME	88	15K	59K
3	Coney Island, NY	85	18K	68K

DISTRICT	NAME	AUTOMATION SCHEDULED	AUTOMATION COST*	COST AVOIDANCE**
5	Cove Point, MD	86	70K	82K
7	Dry Tortugas, FL	85	73K	20K
1	Eastern Point, MA	84	60K	83K
7	Egmont Key, FL	84	60K	28K
17	Five Finger, AK	84	100K	143K
1	Fort Point, ME	89	10K	26K
7	Georgetown, SC	85	73K	73K
1	Goat Island, ME	89	15K	86K
1	Great Duck Island, ME	85	145K	61K
1	Highland, MA	90	15K	24K
1	Isle of Shoals, NH	87	120K	149K
1	Manana Island/ Mohegan, ME	86	155K	52K
1	Matinicus Rock, ME	83	190K	34K
3	Montauk Point, NY	85	126K	87K
3	New London Ledge, CT	84	104K	48K
1	Nobska Point, MA	87	15K	99K
1	Owls Head, ME	86	20K	22K
1	Plymouth, MA	89	45K	74K
9	Point Betsie, MI	IN PROGRESS	50K	29K
7	Point Tuna, PR	83	80K	92K
1	Portland Head, ME	88	25K	36K
1	Seguin, ME	IN PROGRESS	75K	88K
9	Sherwood Point, WI	84	55K	18K
8	Southwest Pass Ent, LA	IN PROGRESS	111K	155K
1	Squirrel Point, ME	85	12K	34K
5	Thomas Point Shoals, MD	86	79K	24K
1	Warwick, RI	87	30K	27K
3	Watch Hill, RI	85	96K	98K

DISTRICT	NAME	AUTOMATION SCHEDULED	AUTOMATION COST*	COST AVOIDANCE**
3	West Bank, NY	85	126K	15K
13	West Point, WA	86	12K	26K
1	West Quoddy Head, ME	87	30K	83K
1	Wood Island, ME	89	25K	39K

* In 1984 dollars.
** Dollars per year avoided by automated operation. Personnel are reassigned for lighthouse maintenance, therefore no personnel savings are realized.

BOSTON LIGHTHOUSE PIER

Senator Andrews: Last year House and senate conferees directed the Coast Guard to devote up to $500,000 for construction of a new Boston Lighthouse Pier capable of withstanding anticipated weather conditions. Was that project programmed?

Response: The design of the new Boston Lighthouse Pier is reaching completion. The award of the construction contract is programmed for June 1983 with completion in June 1984.

CIVILIAN RADIONAVIGATION

Senator Andrews: Should the Coast Guard take a more active role in providing radionavigation services to civilian users, including more active input of civilian requirements to DOT-managed systems? If user fees for the global positioning are established, should Coast Guard handle the interface with civilian users worldwide?

Response: The Coast Guard's current posture in providing radionavigation services to civilian users is considered satisfactory. Solicitation of input regarding civilian requirements is done on an as needed basis, but input received at any time is considered in the planning of radionavigation systems operation. The Coast Guard is primarily an operating agency and should not attempt to assume the role of collection agent for NAVSTAR GPS user fees. This function could be more efficiently accomplished by an agency with an acknowledged expertise in the field of revenue collection.

LORAN-C IN CARIBBEAN

Senator Andrews: Why does Loran-C coverage not exist over the Caribbean? Does the United States have the capability to provide Loran-C coverage in the Caribbean? To what extent? What is your recommendation in this regard?

Response: Loran-C does not exist in the Caribbean because: (1) studies have shown it is not economically justified, (2) the Caribbean is outside the Coastal Confluence Zone for which Loran-C was designated the government-provided radionavigation system, and (3) there is no military requirement for Caribbean Loran-C. Loran-C coverage of the Caribbean is technically feasible if cost is not a consideration. It would, however, require negotiation of station sites and the limited availability of sites would probably not allow efficient location of the stations. The Coast Guard is conducting an evaluation of Differential OMEGA as a radionavigation aid for the Caribbean and prefers that any further consideration of Caribbean Loran-C be held in abeyance until this evaluation is completed in early 1984.

GLOBAL POSITIONING SYSTEM

Senator Andrews: A very recent study by the GAO on DOD's Global Positioining System refers to DOD's intent to charge user fees to all non-DOD users of GPS to support its costs. What is the Coast Guard's viewpoint of the applicability of GPS as a replacement of existing navigation systems by September 1988, which is when GPS is estimated to be operational?

Response: The Coast Guard believes the level of accuracy available from the NAVSTAR GPS system will be the key to its ability to replace existing radionavigation systems. The currently proposed 500 meter denial of accuracy scheme for NAVSTAR GPS Standard Positioning Service would mean it could not fully replace the capabilities of Loran-C. It also would probably not be acceptable to the Transit user community as a replacement for that system. GPS should be evaluated as it is implemented and if proven to provide service equivalent to existing systems at a similar cost, we would then recommend a suitable phase out period for the existing systems.

KODIAK AIR OPERATIONS

Senator Andrews: To what extent will your proposal to transfer one helicopter from Air Station Kodiak to Cordova during the summer season detract from Kodiak's capability to respond to its needs?

Response: A fourth HH-3F was assigned to Air Station Kodiak in 1974 expressly to provide improved capability to respond to SAR cases in the Cordova area. When used in this manner there is no adverse impact on the unit's capability to respond to its needs. Our proposal to transfer the helicopter to Cordova during the summer will not detract from Kodiak's capability to respond to its needs if the resources requested in our FY-1984 budget are received.

Without these resources, deploying a HH-3F helicopter to maintain a readiness posture at Cordova does adversely affect Kodiak's operational capabilities. Air Station Kodiak has not been staffed to support a full time SAR HH-3F at Cordova. Because of this, present deployments at the Cordova facility have been supported on an interim basis by both Kodiak and Sitka air stations.

Senator Andrews: Have the equivalent flight hour capability of fixed wing aircraft, and the number of helicopters and flight hours, at Kodiak been restored to the numbers that existed on October 1, 1981, as directed by last years Senate report?

Response: Additional aviation resources have been provided to Kodiak but neither the equivalent flight hour capability of fixed-wing aircraft nor the number of helicopters and flight hours has been fully restored to the numbers that existed on October 1, 1981. FY82 aviation cuts reduced the number of operational HC-130 fixed-wing aircraft from 21 to 18, including the loss of one at Kodiak. Funds and personnel to increase the number of HC-130 flight hours at Kodiak by augmenting existing aircraft to produce a higher number of flight hours per aircraft were included in the Coast Guard's FY83 appropriation. The addition of a sixth HC-130 at Kodiak (to be provided to the Coast Guard pursuant to the FY83 DOD appropriation Act) will restore the number of fixed-wing aircraft and flight hours to October 1, 1981 levels. We are coordinating the transfer of this aircraft with the Air Force.

One Kodiak HH-52A helicopter was reprogrammed in FY82 to support increased law enforcement efforts in the Caribbean. There are currently only 65 operational HH-52A airframes available to support 70 operational allowances. The helicopter will be replaced at Kodiak in FY84 or FY85 after delivery of the HH-65A begins.

Senator Andrews: Please submit a suitable chart showing fixed-wing and helicopter flight hours at Kodiak for FY 1982, 1983, 1984.

Response: The actual flight hour utilization for FY 1982 and the flight hour allowances for FY 1982, 1983, and 1984 are as follows:

AIRCRAFT TYPE	FY 1982 UTILIZATION	FY 1982 ALLOWANCE	FY 1983 ALLOWANCE	FY 1984 ALLOWANCE
HC-130H	4,473	5,200	5,600[1/]	5,600
HH-3F	1,904	2,800	2,800	2,800
HH-52A	952	1,950	1,950	1,950

[1/] After receipt of 6th HC-130H.

STATION DIRECTIVES

Senator Andrews: The Committee directed last year that a Coast Guard cutter, to replace the services performed by the CAMPBELL, shall be promptly located at Port Angeles, and that a cutter shall thereafter be permanently located at Port Angeles, Washington. The Committee also directed that a buoy tender, to replace the services performed by the FIR shall be promptly located at Puget Sound, and that a buoy tender be permanently located at Puget Sound, Washington. What is the status of the cutter at Port Angeles and the buoy tender at Puget Sound?

Response: The USCGC FIR will be transferred from San Pedro, CA to Seattle, WA this summer. The FIR will be responsible for aids to navigation in Puget Sound.

The replacement of the USCGC CAMPBELL is more complex. We are currently reviewing homeport options for many of our West Coast cutters. The Committee's directions to place a cutter in Port Angeles unfortunately means removing a cutter from someplace else. A careful review of current homeports is required in order to provide optimum operational coverage of all West Coast areas. I expect the issue will be resolved within a few months.

REMOVAL OF BUOYS IN THE NORTHEAST

Senator Andrews: The Committee registered strong concern last year about the removal of large numbers of buoys from Northeastern navigable waters. What actions have you taken?

Response: The public provided hundreds of comments on our proposed aid changes in the Northeast. These have been evaluated, and meetings with the public have been held. The plans for the aid reductions have been formulated in the First District (Maine, New Hampshire, Massachusetts and Rhode Island) and Third District (Connecticut, New York and New Jersey). As requested these plans have been provided to both the House and Senate Appropriations Committees. The First District plans to disestablish 92 unlighted aids out of the 432 initially considered. The Coast Guard received no public comment on any of the 92 discontinuances. The Third District intends to proceed area by area meeting with local citizens, congressional interests, and the press prior to effecting any reductions.

QUESTIONS SUBMITTED BY SENATOR CHILES

AC&I EXPENDITURES FOR DRUG INTERDICTION

Senator Chiles: Admiral, as you know, P.L. 97-369, the 1982 Appropriations Bill, includes the requirement that of the total amounts made available for the construction program $175 million should be used for assets deployed and dedicated in a manner to maximize their contribution to the Coast Guard's drug interdiction program. The Senate Report that accompanied the 1983 appropriations bill specified that $125 million of the capital program should be used for assets deployed and dedicated in a manner to maximize their contribution to the Coast Guard's drug interdiction program.

Admiral, I wonder if you could tell the Committee how the Coast Guard is doing in meeting the Congressional directive for law enforcement dedicated to capital spending.

Response: A total of $409 million is available in FY-83 for the Coast Guard's Acquisition, Construction, and Improvements (AC&I) Appropriation. The House-Senate Conference committee designated how these funds were to be spent by project or by category: i.e. vessels, aircraft or shore facilities. More than $284 million of this amount will be used to procure new operating resources and renovate existing units, that contribute significantly to our drug interdiction mission. Planned application of these funds includes $100 million to continue construction of the 270-foot medium endurance cutters, $6 million for repair of three ex-Navy medium endurance cutters, $16 million for renovation of 210-foot medium endurance cutters, $6 million for procurement of an interdiction patrol boat, $19 million for medium range aircraft and $138 million for ship deployable helicopters.

DRUG ENFORCEMENT TASK FORCES

Senator Chiles: The Coast Guard has played an important role in the Southeast Florida Crime Task Force. Under the leadership of Vice Commandant Stabile who did a very outstanding job in the 7th District and now under the command of Rear Admiral Thompson, steady improvements have been made. In the first 9 months of 1982, more marijuana was seized by the Coast Guard than in all of 1980 and 1981 combined.

Admiral, we have had some difficulty in getting any specifics on the Administration's new Crime Task Force initiatives. The President announced last October that there would be 12 Task Forces that would be funded at a level of $127.5 million. Since then, there has been very little information on how much funding would be provided for each task force and how much would be provided to each of the agencies.

What role will the Coast Guard be playing in the new Drug Enforcement Task Force? How much of your 1984 funding do you have dedicated to the Southeast Florida Crime Task Force?

Response: The Coast Guard is fully participating in the formation of 11 of the 12 new Drug Enforcement Task Forces. We will be providing personnel to the task forces in Boston, New York, Baltimore, Atlanta, Houston, Chicago, Detroit, St. Louis, San Diego, Los Angeles, and San Francisco. Since each task force will determine its own area of emphasis (type of drugs of major concern, organizational targets, etc.) the specific scope of Coast Guard participation will vary. Within each task force, participation will depend on the type of cases undertaken, based on Coast Guard expertise required for a given case. To date, a total of 10 full time positions for Coast Guard investigators have been identified as necessary to accomplish task force goals. In addition, we will supplement the task forces with temporarily assigned personnel as necessary.

The Department of Justice has indicated that an initial grant of $2M of the total task force funding amount of $127.5M will be made available to the Coast Guard to fund our participation. An additional $1M may be available to supplement this initial grant later in FY 83.

With respect to the Southeast Florida Crime Task Force, the amount of funding in FY84 that we will dedicate to this effort is reflected by the planned allocation of our cutters, aircraft and other resources to patrol that region. The costs of operating these resources are included in our FY84 OE budget of $1688 million. Of that total about $359 million will be spent on Enforcement of Laws and Treaties (ELT). I expect that during FY84 about 37% of ELT, $133M, will be spent in our 7th and 8th Districts on Drug Enforcement operations, and another 7%, $25M, on migrant interdiction operations.

HAITIAN INTERDICTION OPERATIONS

Senator Chiles: As you know, the President issued an Executive Order on September 29, 1981, which officially commenced the Coast Guard's participation in the Haitian Interdiction Program. Last week Rear Admiral Thompson gave an update on this program before the House Committee on Government Operations' at field hearings in Miami. Rear Admiral Thompson mentioned that 10 craft have been interdicted and 221 people have been returned to Haiti since the program began. Those 221 people must have spread the word around because we had only 120 illegal arrivals last year compared to 15,000 in 1980.

Admiral, what can you tell me about your plans to continue this program in 1984?

Admiral Gracey: The Coast Guard has no plans to substantially alter our commitment to the Haitian Migrant Interdiction Operation (HMIO) in 1984. Our preliminary evaluation of the program shows it to be extremely effective; an estimated 97 percent of the illegal migrants who we projected would attempt the hazardous voyage to Florida last year have been deterred resulting in considerable savings to the U.S.

This program has had other salutary side benefits. For example, our HMIO cutters have seized 11 drug smuggling vessels carrying 73,829 pounds of marijuana during the execution of their migrant interdiction duties. The mere presence of a cutter in the Windward Passage on a full-time basis has done much to aid us in disrupting the narcotics traffic in the area. We have also continued our self-help and maintenance program with the Haitian Navy. This program has greatly aided their efforts to combat drug smuggling in their waters, as a recent unassisted major seizure of a smuggling vessel illustrates. All these initiatives will continue in 1984.

LOW PERFORMERS

Senator Chiles: Admiral, I understand that in your State of the Coast Guard Address you mentioned that the program to separate low performers from the service would be continued. How many individuals are separated from the agency each year under this program and do you see any changing patterns in these separations?

Response: From 1 JAN 1982 to 31 DEC 1982 there were 1080 low performers separated from the Coast Guard. This program was begun in December 1981 for two reasons: To meet mandated billet reductions and to improve the overall quality of our personnel. Separation criteria are based upon observed performance over time. More personnel will become eligible for discharge under this program in the future, but less than the first year total because many of them have chosen to improve their performance, and the number who were immediately eligible at the start of the program have already been separated. I estimate that approximately 550 low performers per year will be separated in the future.

JOINT USCG/USN OPERATIONS

SENATOR CHILES: Under what circumstances does the USCG participate in joint operations with the USN?

Response: Our major cutters all are trained by the U.S. Navy to Navy standards for wartime employment. When our operational schedule will permit, we participate in joint USCG/USN fleet, JCS or NATO exercises. Our participation includes our cutters, aircraft and shore stations. This peacetime joint training enables the Coast Guard to transition and integrate to Navy operational control during time of war or when the President so directs us to conduct naval warfare missions.

USN SUPPORT OF USCG DRUG ENFORCEMENT

SENATOR CHILES: Does the USN have the capability to support the USCG in drug enforcement?

Response: Yes, most decidedly and we are already receiving a good deal of law enforcement support from the Navy. We are mindful of the urgency of the Navy's requirement to maintain fleet readiness and thus every effort is being made to ensure that these support operations do not interfere with primary missions. The Navy is providing the following assistance:

(a) Daily aerial surveillance in the Caribbean area, utilizing P-3 aircraft in conjunction with regular training flights.

(b) Carrying Coast Guard boarding teams on selected surface units for specific deployments.

(c) On occasion, providing towing/escort for seized vessels to allow cutters to remain on station.

(d) Providing other aircraft services on a not-to-interfere with primary mission basis. (Example: occasional West Coast E-2C usage.)

(e) Providing temporary duty watchstanders for the Interdiction Operations Information Center (IOIC) in Miami.

JOINT USCG/USN OPERATIONS

SENATOR CHILES: What communications media are used for USCG exchanges with the USN in joint operations.

Response: The USCG has either standard Navy or Navy compatible communications equipment for landline, teletype, and voice radio. The Coast Guard also is capable of close in communications during fleet operations by flashing light, flag hoist and semaphore.

SENATOR CHILES: Do standard communications operating procedures exist to support joint USCG/USN OPERATIONS?

Response: Yes. The Coast Guard follows published standard Navy communications procedures and doctrine. Communications are an important part of every joint USN/USCG training exercise.

SENATOR CHILES: Who is responsible?

Response: We follow standard communications doctrine as promulgated by the Navy.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will recess until Wednesday, March 9, at 10 a.m.

[Whereupon, at 11:30 a.m., Thursday, March 3, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 9.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 9, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

STATEMENT OF WILLIAM BRADFORD REYNOLDS, CHAIRPERSON AND ASSISTANT ATTORNEY GENERAL FOR CIVIL RIGHTS, DEPARTMENT OF JUSTICE

ACCOMPANIED BY ROBERT JOHNSON, EXECUTIVE DIRECTOR, ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order. This morning we are going to hear from the folks that work at the Architectural and Transportation Barriers Compliance Board.

Our first witness is William Bradford Reynolds, the Assistant Attorney General for Civil Rights, Department of Justice, Chairperson of the Board.

Good to have you here, sir.

Mr. REYNOLDS. Thank you, Mr. Chairman.

Senator ANDREWS. You can be assured that your full statement will appear in the record. You can summarize it or whatever you may like. You can introduce, and I'm sure that you will, your colleagues on the Board.

INTRODUCTION OF ASSOCIATES

Mr. REYNOLDS. Thank you, Mr. Chairman.

Let me start by introducing those that are with me at the table. To my immediate left is the Executive Director of the ATBCB, Mr. Bob Johnson. To his left is Mary Alice Ford, who is the cochairman of the Planning and Budget Committee. To my immediate right is Mr. David

Myers, cochairman of the Communications Committee. I think we will be joined shortly by one more member of the Board who is cochairman of the Transportation Committee, Mr. Hale Zukas.

I would like to just give a short summary of my official statement, which I would like to have put into the record in full. And then have the other members of the Board that are with me at the table also have an opportunity to give a statement that they would like delivered to the committee.

If that is agreeable?

Senator ANDREWS. That is fine.

Mr. REYNOLDS. Mr. Chairman, I am William Bradford Reynolds, the Assistant Attorney General for Civil Rights, Department of Justice, and Chairperson of the Architectural and Transportation Barriers Compliance Board.

I am pleased to appear before this Subcommittee on Transportation to discuss the Board's appropriation request for fiscal year 1984. The Board is requesting $1.7 million for fiscal year 1984 which is a decrease of $320,000 from its 1983 funding level of $2,020,000.

However, $120,000 of the fiscal year 1983 level was included by Congress to fund a research activity concerning telecommunication devices for the deaf which could not be contracted in fiscal year 1982. Thus, the real reduction from 1983–84 is only $200,000.

This request for fiscal year 1984 is consistent with the President's goal of controlling and limiting expenditures, but will allow the Board to continue to meet its statutory responsibilities to improve accessibility for handicapped persons.

In fiscal year 1983 and fiscal year 1984 the Board will be focusing primarily on the refinement of technical assistance capabilities; conducting research into the reserved areas of the Board's minimum guidelines and requirements for accessible design; as well as completing the reserved sections of the guidelines to the extent that sufficient data becomes available to us.

Clearly the most important achievement this past year was the issuance on August 4, 1982 of a revised and improved final regulation establishing minimum guidelines and requirements for accessible design.

This was accomplished because of the spirit of cooperation which developed between the public and Federal agency Board members. Their efforts received the full support of the administration.

Although the Board's minimum guidelines and requirements have been published there do remain several areas that still need to be addressed by the Board and completed.

During the development of the guidelines, certain technical and scoping requirements could not be developed without additional research and field experience. Consequently, the Board continues to reserve those provisions until such time as we do have sufficient information.

TECHNICAL ASSISTANCE

This past year has also seen an enhancement in the Board's technical assistance capabilities. We began organizing a technical resources library within the Office of Technical Services, which will enable the Board to provide more timely and accurate responses to requests for technical information on accessibility related issues.

Currently comprised of some 1,500 to 2,000 documents, the collection is expected to double within the next few years as new materials are published and acquired. We expect the Board to soon have the most comprehensive technical library on accessibility that is in existence.

During the current fiscal year, one of the Board's primary efforts will be directed to major research initiatives into some of those areas of the guidelines which have been reserved. As part of this effort, the Board will soon undertake a research effort into application, placement, and signage for telecommunication devices for the deaf.

The information generated from this project may be used to develop a section within the guidelines on telecommunication devices for the deaf and for educational and informational purposes.

Let me add that this particular research area was earmarked for funding by the Congress specifically in the fiscal year 1983 appropriation legislation.

At the January and March meetings of the Board this year, the major focus was directed to prioritizing the research activities pertaining to the Board's reserved sections of the guidelines.

The Board has developed a research agenda consisting of some 18 technical areas which need to be addressed and research plans for 10 of these areas. Research conducted in these areas can provide the Board with sufficient information to enable further development of the guidelines so that safe and cost-effective solutions to accessible design problems can be achieved.

In order to obtain the meaningful information that is needed from the public as early as possible in this process, the Board may initiate rulemaking in some of the reserved areas in tandem with this research activity. The objective will be to complete the reserved sections as soon as the appropriate specifications become clear.

FISCAL YEAR 1983 ACTIVITIES

In fiscal year 1983 the Board will continue to improve and refine its technical assistance capabilities as well. We will also continue to expand the educational and informational programs to both consumer groups and professional organizations across the country to the extent feasible.

These programs will include distribution of technical papers and the provision of technical assistance. The objective is to reach individuals and groups in the public and private sector in order to provide guidance and expertise concerning cost-effective solutions to accessible design or construction problems.

For example, the Board will be working with the Paralyzed Veterans of America field staff at a workshop in Washington; with the American National Standards Institute (ANSI) Committee, at their invitation, in the review of the 1980 ANSI standard; and with national groups and at national conferences such as the one sponsored by the President's Committee on Employment of the Handicapped.

In the area of compliance and enforcement, the Board will continue to process complaints at approximately the same level as 1982. Again, emphasis will be placed upon an amicable resolution of accessibility related problems.

FISCAL YEAR 1984 ACTIVITIES

Funding in fiscal year 1984 will permit the Board to continue its efforts in both compliance and enforcement activities, in the provision of technical assistance and in the continuation of research activities. The reserved sections and the special use areas of the guidelines are rather extensive.

The Board this year has developed and prioritized a useful research agenda in order to guide us in research decisions in 1984. The ultimate goal will, of course, be to complete those reserved sections and special use areas of the guidelines and requirements to the fullest extent possible.

The Board also will consider as one of its major priorities for fiscal year 1984 the continuation of its technical assistance efforts. Technical assistance can improve accessibility nationally, prevent costly construction errors and diminish costs significantly.

Technical assistance will include workshops, response to direct inquiries, and a continuation of educational and informational efforts to assist design professionals and also consumers to obtain accessibility around the country.

In conclusion, I would like to state that the administration has pledged to provide opportunities to move our handicapped citizens into the mainstream. The Board has played a major role in fulfilling this commitment by providing an avenue for developing low, cost-effective solutions to accessibility problems, by fostering the 'development of uniform Federal standards, and by providing a forum for both public and private sectors to work together in the future.

I believe that the funding for fiscal year 1984 will allow us to continue along those lines and with that effort for the years ahead.

PREPARED STATEMENT

I would be pleased to answer any questions that the committee has. I think that the other statements by the Board members here may be something that should precede questioning. Then we can do all of the questioning at once.

[The statement follows:]

STATEMENT OF WILLIAM BRADFORD REYNOLDS

I am William Bradford Reynolds, Assistant Attorney General for Civil Rights, Department of Justice and Chairperson of the Architectural and Transportation Barriers Compliance Board. I am pleased to appear before the Subcommittee on Transportation to discuss the Board's appropriation request for FY 1984. The Board is requesting $1.7 million for FY 1984 which is a decrease of $320,000 from its FY 1983 funding level of $2,020,000. However, $120,000 of the FY 1983 level was included by the Congress to fund a TDD research activity which could not be contracted in FY 1982. Thus, the real reduction is only $200,000. This request for FY 1984 is consistent with the President's goal of controlling and limiting expenditures but will allow the Board to continue to meet statutory responsibilities to improve accessibility for handicapped persons.

I wish to begin by briefly reviewing the major accomplishments of the Board during Fiscal Year 1982. By far the most important achievement was the issuance of a revised and improved final regulation establishing minimum guidelines and requirements for accessible design. This was accomplished because of a spirit of cooperation which developed between the public and Federal agency Board members. Their efforts received the full support of the Administration.

As you will recall, in January 1982, the Board had proposed a notice of proposed rulemaking to amend the existing minimum guidelines and requirements so that the regulation would continue to provide for ready access and use and yet also be more cost effective and consistent with other Federal and nationally recognized standards. Amendments to the technical provisions were proposed which reduced the number of differences between the Board's guidelines and requirements and the American National Standards Institute's "Specifications for Making Buildings and Facilities Accessible to and Usable by Physically Handicapped Persons" (ANSI A117.1-1980 or ANSI). The proposed amendments also responded to concerns registered by several Board members and to issues raised in comments submitted to the ATBCB Docket during various phases of rulemaking. During this subsequent rulemaking process, both public members of the Board and the Administration representatives worked closely to resolve their differences. These issues and their resolution are summarized below.

Since the development of the guidelines and requirements began in 1980, the ATBCB has considered the technical specifications contained in ANSI A117.1-1980, research recommendations, field experience and state and local accessibility codes. The Board used, wherever appropriate, provisions that are consistent with those contained in ANSI.

The 1980 ANSI specifications recommend that scoping provisions, that is, the minimum number of elements and spaces required to be accessible, be developed by administering agencies. In accordance with this recommendation, ANSI's "reasonable number" references have been given definite numerical values in order to produce explicit and enforceable guidance for the Federal agencies issuing standards. These requirements have been developed by the Board for new construction, additions, and alterations and are based on the Federal Government's, states', and general public's experiences in applying accessibility requirements and in using buildings and facilities.

As a result of this most recent rulemaking process, several changes have been made in the scoping provisions in order to clarify further the Board's requirements and to provide needed flexibility to Federal agencies implementing these requirements. Examples of revisions clarifying paragraphs contained in the new construction requirements (§1190.31) include entrances, toilet and bathing facilities, drinking fountains and water coolers, assembly areas, and listening systems, and storage. A paragraph has been added under §1190.32, Additions, in order to clarify that mechanical rooms, storage areas, and other such minor additions which normally are not used by the public or employees of a facility do not trigger the requirements to provide an accessible entrance, accessible route, and accessible toilet facilities. Section 1190.33(a)(2), concerning alterations of vertical access equipment (e.g., escalators), has been amended to exempt transit facilities from this requirement if it is structurally impracticable to make such alterations. The so-called 50 percent rule previously codified at 36 CFR Part 1190.33(c) has been divided into two paragraphs §1190.33(b) and (c), in order to provide agencies with additional clarification and flexibility in implementing these provisions. Section 1190.34, Leased Buildings, has been reserved in recognition of the fact that there is a legal dispute concerning what the Act requires of leased buildings which the courts are expected to resolve. The guidelines under §1190.2 apply to the full extent that the Act does, but the Board expresses no position on the questions of interpretation of the Act which are now in dispute. Leased buildings and facilities constructed or altered in accordance with plans and specifications of the United States are required to comply with the applicable provisions of §1190.31, New Construction, §1190.32 Additions, and §1190.33, Alterations.

At its May 4, 1982 meeting, the Board voted unanimously to revise the minimum guidelines and requirements and they were published as a final regulation on August 4, 1982.

These rulemaking efforts are also highly significant in that the development of the guidelines provided the impetus for the four standard setting agencies of the Federal government (the General Services Administration, the Department of Housing and Urban Development, the Department of Defense, and the United States Postal Service) to develop a uniform Federal accessibility standard. For the first time, builders and architects will no longer need to follow different standards when building or designing facilities for different agencies or try to reconcile conflicting standards when building a facility funded by more than one agency. The ATBCB minimum guidelines and requirements have served to unify Federal accessibility standards, which will reduce or eliminate confusion among designers and ease the regulatory burden on grantees. This uniform standard is now going through clearance at OMB.

Although the Board's minimum guidelines and requirements has been published, there remain several areas which still need to be addressed. During the development of the minimum guidelines and requirements, certain technical and scoping requirements could not be developed without additional research and/or field experience. As a result, the Board continues to reserve specific provisions of the technical requirements until such time as sufficient information is obtained. Technical and scoping provisions of the ATBCB guidelines and requirements that continue to be reserved include closure and opening forces for exterior hinged doors, window operating and hardware requirements, tactile warnings, and signage. Elevator door timing requirements are also reserved as well as the scoping requirements for leased buildings.

In addition, Subpart E Special Buildings and Facility Types and Elements, continues to be reserved for the development of minimum guidelines and requirements for such special building and facility types and elements as residential structures, recreational facilities, historic structures, hospitals, food service facilities, and library stacks.

The Board has also identified a number of areas in need of additional information. Research and/or field experience are needed to amplify and clarify provisions on human data, emergency egress, ground and floor surface treatments such as carpeting, vertical clearance for parking garages, curb ramp location, controls and operating mechanisms such as those used for elevators, platform lifts, closure and opening forces for interior and sliding doors, shower faucets and control locations, visual and other sensory alarm systems, telecommunication devices for the deaf, and informational cuing for low-vision persons.

During the past year, the Board, through contractor assistance, conducted a preliminary investigation into five (5) of these reserved areas -- orientation, wayfinding, floor and ground surface treatments, combination of disabilities, hand anthropometrics and windows. These papers provide a basis for decisions concerning research priorities and future rulemaking with respect to the reserved sections of the minimum guidelines and requirements. The findings from these five technical state-of-the-art papers have identified available research and relevant information needed for the Board to determine if sufficient information is now available to support a technical requirement or if additional research is warranted. A brief summary of the findings and proposed research needs suggested by the papers are as follows:

Ground and Floor Surface Treatments: Several critical areas were identified as requiring research: (1) detectable tactile surfaces; (2) roll resistance of ground and floor surface material such as carpeting to wheeled mobility aids such as wheelchairs; (3) slippery surfaces; (4) surface stability/instability; (5) joints between materials; and (6) visually detectable cues and warnings.

Orientation and Wayfinding: Little information is available on methods to provide informational and directional assistance to disabled people. A comprehensive and systematic study is needed to determine the features which contribute to the effectiveness of a sign (i.e., size of letters, shape, tactile quality, contrast, and the like).

Multiple Disabilities Through the Life Span: More information is needed in such areas as the prevalence and types of multiple disabilities and on methods to assess and measure mobility skills and functional limitations of disabled persons. Codes and standards have dealt primarily with the wheelchair user with full upper body mobility skills and have not addressed fully the needs of persons who are multiple disabled or who are deaf or hearing impaired, blind or who have low vision, speech impaired, or use walkers, canes, crutches or other mobility methods, and who have coordination and nervous system disorders.

Hand Anthropometrics: Our ability to perform a large number of everyday activities such as showering, cooking, and using doors depends on our capability to use controls and mechanisms which are operated by the hand. Often, this involves fine motor coordination and the ability to grasp objects and turn against resistance. To date, little research has been completed and there is a lack of data available on design requirements for controls and operating mechanisms which are usable by persons with handling and fingering disabilities.

Window Design: ANSI 1980 limits the force that can be applied to operate windows to 5lbf. The Board has found that commercial designs currently on the market cannot meet this requirement and that it may not be the optimal force requirement for use by disabled persons.

This past year has also seen an enhancement in the Board's technical assistance capabilities. We began organizing during FY 1982 a technical resources library within the Office of Technical Services. More efficient organization and access to its comprehensive collection of technical materials, which are now computerized, will enable the Board to provide more timely and accurate responses to requests for technical information on accessibility related issues. Currently comprised of 1,500 to 2,000 documents, the colleotion is expected to double within the next few years as new materials are published and acquired. We expect the Board will soon have the most comprehensive technical library on accessibility in existence.

The Board has continued to provide responses to technical inquiries with the assistance of outside resources. We received over 20,000 requests for general information which could be answered in many instances with prepackaged materials. In the past year the Board also received approximately 6,500 technical requests related to architectural accessibility. One-third (1/3) of these requests required in-depth, specialized technical responses. In addition, 1,400 requests have been directed to the area of transportation.

In the area of compliance and enforcement (in the aftermath of a year of extensive rulemaking during which time most staff resources were deployed to that purpose), the Board has made a concentrated effort to restore a smooth running complaint processing operation. The ATBCB complaint processing system serves as a channel to resolve a diversity of access issues, including among many others, inaccessible entrances and toilet facilities, lack of parking for handicapped individuals, lack of tactile identification for visually impaired persons, and lack of devices for hearing impaired persons. The Board, which last year received 119 complaints, has been able to resolve the vast majority amicably thereby reducing the prospect of extensive and costly litigation. These complaints, which come from people and organizations across the nation, provide valuable information to the Board on the access problems disabled persons are encountering in their communities.

One administrative citation which was filed in 1981 was resolved this past year. The case involved the design of courtrooms in new structures to be erected in Springfield, Massachusetts, and San Jose, California. The courtrooms allegedly did not comply with the new interim GSA access standards as there were only steps to the judges' benches, jury boxes and witness stands with no ramp or other means of access for handicapped persons. The administrative law judge found that the GSA standards do not apply to those items which were found to be chattels, and therefore not covered by the Architectural Barriers Act. Subsequently, representatives of the Board and the Administrative Office of the United States Courts discussed developing appropriate requirements for courtroom accessibility.

The Board is now considering amending the guidelines and requirements to incorporate these requirements.

ACTIVITIES FOR FY 1983

During the current fiscal year, one of the Board's primary efforts will be directed to a major research initiative into some of those areas of the guidelines which were reserved in the final regulation. As part of this effort, the Board will very soon undertake a research effort into application, placement and signage for telecommunication devices for the deaf (TDD). The information generated from this project may be used to develop a section within the guidelines on TDD's and for educational and informational purposes. Let me add that this particular research area was earmarked for funding by the Congress in the FY 1983 appropriation legislation.

At the January and March meetings of the Board, the major focus was directed to the prioritization of the research activities pertaining to the Board's reserved sections of the minimum guidelines and requirements. The Board has developed a research agenda consisting of 18 technical areas which need to be addressed and research plans for ten of these areas. Research conducted in these areas can provide the Board with sufficient information to enable it to develop guidelines and requirements so that safe and cost-effective solutions to accessible design problems can be developed.

These areas and the tasks associated with them include:

GROUND AND FLOOR SURFACE TREATMENTS
- Detectable Tactile Surface Treatments
- Roll Resistance
- Slippery Surfaces
- Walking Resistance/Surface Instability
- Joints Between Materials
- Visually Detectable Cues and Warnings

SIGNAGE
- Interdisciplinary Research Plan
- Research Statements

ALARMS
- Alarm Systems
- Visual Alarms
- Audible Alarm Systems

ELEVATORS
- Background Materials
- Elevator Door Timing
- Mounting Height of Controls
- Characters and Symbols on Control Panels
- Raised, Indented, or Flush Controls
- Reports

HAND ANTHROPOMETRICS
- Anthropometric and Biomechanical Data for Persons Who Have Difficulty Using Their Hands and Fingers
- Design Solutions for Hand Controls and Operating Mechanisms

DOORS
- Door Operating Requirements for Disabled Users

EGRESS
- Elevators

HOUSING
- Local Needs Assessment to Determine Percentage of Accessible/Adaptable Housing

MULTIPLE DISABILITIES THROUGH THE LIFE SPAN
- Background Materials
- Human Data
- Research
- Reports

TRANSPORTATION
- Update of Downtown People Mover Design Guidelines
- Study Reliability of Passive Lifts for Fixed-Route Transit Coaches

In order to obtain meaningful input from the public early on in this process, the Board is planning to initiate rulemaking in some of the reserved areas in tandem with the research activity. The objective is to complete the reserved sections as soon as the appropriate specifications become clear.

In FY 1983 the Board will continue to improve and refine its technical assistance capabilities. We will also continue to expand the educational and informational programs to both consumer groups and professional organizations across the country to the extent feasible.

These programs will include the distribution of the technical papers mentioned above, and the provision of technical assistance. The objective of these programs is to reach individuals and groups in the public and private sector in order to provide guidance and expertise in cost effective solutions to accessible design or construction problems.

For example, the Board will be working later this month with the Paralyzed Veterans of America field staff at a workshop in Washington. This technical assistance was requested by PVA and is designed to explain and illustrate the process of complaint resolution; to educate and train PVA representatives in the identification of building accessibility needs for persons having different types of disabilities; and to educate them on accessibility requirements for federally designed, constructed and altered facilities.

In addition, the Board will be working this year with the National ANSI Committee, at their invitation, in the review of the 1980 ANSI Standard. One objective the Board hopes to see realized is the resolution of remaining differences between the ANSI specifications and the Board's Minimum Guidelines and Requirements.

The Board will also be working with National groups and at National Conferences such as the President's Committee on Employment of the Handicapped. The Board's primary objective is to disseminate technical information, and to respond to technical questions concerning the Board's minimum guidelines and requirements, in addition to soliciting continual feedback on the state-of-the-art in various technical areas which can be used in the update of the Board's minimum guidelines and requirements.

In the area of compliance and enforcement the Board will continue to process complaints at approximately the same level as 1982. Again, emphasis will be placed upon amicable resolution of accessibility related problems. The Board will also continue, as necessary, to conduct on-site visits to assist in amicably resolving complaints. These visits have proven to be an extremely useful and effective vehicle in achieving voluntary compliance. A good example of this activity is the effort staff directed to the problems of a CETA office which was inaccessible. After an on-site visit in which Board staff explained the problems and discussed potential solutions, the CETA office made the decision to relocate to facilities that were more accessible.

FY 1984 ACTIVITIES

Funding in FY 1984 will permit the Board to continue its efforts in both compliance and enforcement activities, the provision of technical assistance and a continuation of research activities. As you have seen, the reserved sections and the special use areas of the Board's minimum guidelines and requirements are rather extensive. The Board this year has developed and prioritized a useful research agenda which will guide its research decisions for the next year. The ultimate goal is, of course, the completion of the reserved sections and special use areas of the minimum guidelines and requirements.

The Board will also consider as one of its major priorities the continuation of its technical assistance efforts. Technical assistance can improve accessibility nationally, prevent costly construction errors and diminish costs significantly. In addition, the Board will continue to respond to technical inquiries and to provide timely and accurate technical resolutions to design problems. It will also continue its educational and informational efforts to reach design professionals and consumers around the country for the dissemination of technical information and the interchange of ideas.

In closing, I would like to state that the Administration has pledged to provide opportunities to move our handicapped citizens into the "mainstream." The Board has played a major role in fulfilling this commitment by providing an avenue for low-cost, effective solutions to accessibility problems, thereby avoiding costly litigation; by fostering the elimination of disparate Federal standards thereby facilitating the design of more accessible buildings; and by providing a forum for both public and private sectors to work together.

BIOGRAPHICAL SKETCH

WILLIAM BRADFORD REYNOLDS

William Bradford Reynolds became the Assistant Attorney General in charge of the Civil Rights Division on July 27, 1981, the ninth person to hold the post.

President Reagan nominated Reynolds for the position on June 11, and he was confirmed by the Senate on July 23.

Reynolds was born on June 21, 1942, in Bridgeport, Connecticut. He attended Phillips Academy, Andover, Massachusetts, and received his B.A. degree in 1964 from Yale University, where he was on the Dean's List.

Reynolds graduated second in his class from the Vanderbilt University School of Law in 1967, receiving his J.D. degree. He was editor-in-chief of the Vanderbilt Law Review and was selected for Order of the Coif.

During the summer of 1966, Reynolds worked as an assistant to the United States Attorney in Nashville, Tennessee. Following graduation from law school, he joined the New York City law firm of Sullivan & Cromwell and was involved principally in general commercial litigation matters.

From April, 1970, to June, 1973, Reynolds was an assistant to Solicitor General Erwin N. Griswold, presenting 11 oral arguments before the Supreme Court and writing some 40 Supreme Court briefs. He worked on a number of important civil rights cases.

From 1973 until his appointment as Assistant Attorney General, Reynolds was a litigation partner in Shaw, Pittman, Potts & Trowbridge, a Washington, D.C., law firm. He had responsibility for civil litigation matters, including extensive state and federal court practice and involvement in adversary administrative proceedings before governmental agencies.

He is a member of the District of Columbia Bar, the New York State Bar, the Supreme Court Bar, the American Bar Association, and the District of Columbia Bar Association.

Reynolds is married to the former Lynn Morgan and they have one son and three daughters. The family lives in Potomac, Maryland.

The Civil Rights Division, which Reynolds heads, is the federal government's chief agency for enforcing civil rights laws in the courts. The Division has some 170 attorneys and 243 other employees. Its annual budget is more than $16.8 million.

Created by the Civil Rights Act of 1957, the Division enforces federal laws and presidential executive orders that prohibit discrimination because of race, national origin, religion, sex and age in employment, education, housing, credit, voting, public accommodations and facilities, and federally assisted programs.

The Division also enforces federal criminal laws that prohibit violations of any person's civil rights and acts of interference with the exercise of other federally protected rights.

In 1980, the Division was given the additional responsibility of enforcing a law designed to protect the rights of persons in state and mental and penal institutions to humane living conditions and other constitutional protections.

STATEMENT OF MARY ALICE FORD

Senator ANDREWS. I think that would be wise. Their statements, as you know, Mr. Chairman, will appear in full in the record. But if Mr. Myers or Ms. Ford would like to summarize them or give some oral presentation along with the printed statement, we would be glad to hear that now before we get into the questions.

Mr. REYNOLDS. Thank you, Mr. Chairman. I think that Ms. Ford will go first, and then we will hear from Mr. Myers.

Ms. FORD. Thank you, Mr. Chairman.

My name is Mary Alice Ford. And I would like to read my statement into the record.

As cochair of the ATBCB Planning and Budget Committee, I am pleased to be here today to urge this committee to recommend increasing the administration's proposed fiscal year 1984 budget for the ATBCB in order to allow adequate discretionary funds for research in technical areas reserved in the miminum guidelines and requirements that our chairperson, Mr. Reynolds, has mentioned to you.

Based upon research findings, we'll be able to specify design requirements which will affect in a positive way not only the Government but the construction industry across the country. It will mean providing cost-effective solutions to meet the needs of the people.

The Board's research program, developed over the last year, is geared to meet these needs. We cannot fill the gaps in the guidelines without necessary research. And we cannot conduct research without funds.

Our research agenda is very extensive and specific. Preliminary cost proposals exceed available funds by over $3,600,000. Twenty-eight research projects have been identified. Ten are fully developed. On March 8, 1983, the Board voted unanimously to proceed with a reduced list of research projects in order to prioritize what we can do with our available funds.

The list would fulfill the goal of working to complete the minimum guidelines. Without an increase in the proposed budget, however, we can complete only the first of our priorities. In fact, $500,000 to even $1 million allocated to the Board for these projects would be most realistic to assure valid data and valid samplings so that the research can be done as speedily as possible.

As a State legislator in Oregon, I'm vice chairman of the House Human Resources and Aging and Minority Affairs Committee and a member of the House Intergovernmental Affairs and Labor Committees.

I deal with various problems of the handicapped community in each of these committees on a daily basis. There are four major concerns to the disabled community within our State which also are concerns for senior citizens. I'm sure our State is not unique in our problems.

The four areas deal with building codes, mass transportation, modifications in the workplace, and housing.

Mr. Chairman, I have submitted to you two letters which will back up my concerns. I'd be happy to answer any questions on those specific issues. I would just like everyone to know that we are backsliding at the local level on the accessibility issues and participation of handicapped and elderly persons.

As much research as possible, on as many of the reserved areas as possible, as soon as possible, would help us to promote and pass legislation locally at State levels that would press for more cost-effective solutions to the accessibility questions. At the moment our hands are tied.

Thank you, Mr. Chairman.

Senator ANDREWS. Thank you so much. And we'll have the letters appear as a part of the record immediately following your statement.

Ms. FORD. Thank you.

[The letters follow:]

LETTER FROM MARY ALICE FORD

Department of Commerce
Public Hearing

February 24, 1983

First, I would like to thank you for taking your valuable time to allow my aide to read into the record my prepared remarks.

As an Oregon State Representative and a member of the U.S. Architectural and Transportation Barriers Compliance Board, I would like to encourage the Oregon Building Code Division not to adopt 1980 ANSI standards for the Uniform Building Code. Such action will thereby diminish some of the standards Oregon has worked so hard to obtain.

When the funds become available there will be a study conducted to explore where ANSI and ATBCB differ. A decision will then be made as to whether or not ANSI standards should be updated to correspond with ATBCB guidelines.

Furthermore, the federal government's four standard-setting agencies will be revising their standards to meet our ATBCB minimum guidelines and requirements by July 1983. In any event, the Oregon Uniform Building Code should not be any less than what is reflected in the federal government's minimum guidelines and requirements.

If anyone in your Division would like a copy of the minimum guidelines and requirements with the exception of some reserved sections which currently need further study and research, I would be happy to arrange for copies to be sent to you.

Both as an official and as a citizen, I am committed to the cause of handicapped persons and their need for accessibility. I hope that you will, therefore, reconsider the adoption of 1980 ANSI standards.

I would again, like to thank you for your time and attention.

LETTER FROM BILL DILWORTH

The Honorable Mary Alice Ford
House of Representatives, Room H378
State Capitol
Salem, Oregon 97310

March 2, 1983

Dear Ms. Ford:

I want to thank you for the material on architectural and structural barriers. Your time and references are greatly appreciated. Hopefully, the information included in this letter will be of some assistance to your effort of enacting legislation to allow the handicapped and disabled citizens to overcome obstacles to employment.

The Federal government has passed legislation which provides for tax incentives for businesses who remove architectural barriers to make buildings accessible to disabled people. Curbs have been changed to ramps, doorways have been widened for wheelchairs, bathroom stalls have been modified for wheelchairs and other alterations have been made under this program to provide disabled people accessibility to their place of business.

However, a major obstacle still remains and that is the worker can now get to the job site, but what kind of accommodation can be made so that the worker can actually perform the job?

If the employee can only get to the worksite, but still cannot perform the job, the employer who cannot afford to modify the worksite cannot retain or hire desired employees. A valuable portion of the work force is virtually excluded.

Work station modifications range from the very simplistic such as an orthopedic chair or relocating machine operation controls to the very complex such as devising and fabricating equipment and machinery. In any event, the net result is that the employer has been able to hire a valuable person.

Several examples of work station modification projects which have been accomplished by the Workers' Compensation Department are:

1. D.H. is a 45 year old mechanic who sustained severe injuries to the right ankle and upper back. Medical concensus was that D.H. could not return to normal duties as a mechanic due to the heavy lifting involved.

   MODIFICATION: A portable floor crane and electric hydraulic scissor lift table to accomplish the lifting he had previously done. This allowed him to return to his occupation as a mechanic. Approximate total cost was $1600.

2. R.R. is a 27 year old production fabricator who sustained a severe back injury while performing repetitive lifting of heavy steel plates weighing from 65 - 100 lbs. The medical concensus was that he could not return to this type of work requiring constant, strenuous physical activity.

   MODIFICATION: An electric hydraulic adjustable scissor lift table mounted on tracks was used to lift and maintain the plates at bench height. Previously the worker was required to unload the plates from bench height to pallets on the floor and then reverse the order by lifting the plates back from the pallets to the bench. The modification reduced the physical demand of the job while greatly increasing the worker's efficiency. This not only allowed R.R. to return to full time employment with his company but the lift table method is now being used by other employees as well. Approximate total cost was $1500.

3. C.C. is a 32 year old assistant animal keeper who sustained back injuries while performing repetitive lifting of sand and feed bags. Her attending physician said it was questionable whether she would ever be able to return to regular employment at the zoo. However, when presented with the modification proposal, he re-evaluated her condition and released her for return to work, contingent upon the provisions of the modifications.

   MODIFICATION: An electric hydraulic assist is used to open two heavy metal ground level doors, an adjustable table is used for handling feed and moving animal cages and an electric hydraulic tail gate has been installed on the zoo's pick up truck. Approximate total cost was $7000.

4. D.K. is a 36 year old delivery driver who sustained a gunshot injury resulting in quadriplegia.

   MODIFICATION: In addition to the removal of architectural barriers accomplished by widening doorways and installing ramps; specialized modifications included a speaker telephone, an elevated desk, a bathroom facility designed for his specific needs and a van with lift and hand controls. D.K. was able to return to a full-time office position with the company following these modifications. Approximate total cost was $12,000.

5. A.H. is a 52 year old truck driver who suffered total paraplegia when he fell from the cab of his truck. He was returned to his company as an office worker with the removal of architectural barriers and the assistance of over 30 modifications to his worksite. A partial list follows.

   MODIFICATION: A speaker telephone, an exercise stall bar, 3 specialized business machine tables, an elevated desk, a horizontal file cabinet system, a modified typewriter and copy machine, wall drop table (used for required daily exercise) and complete bathroom revisions utilizing a commode stall, specialized shelving and an alarm/alert system. Approximate total cost was $7000.

6. F.C. is a 48 year old stockyard employee who sustained severe injuries to his left hip and leg. His primary physician stated F.C. would not be able to return to even the most sedentary position for at least a year.

   MODIFICATION: An electric cart was used to maintain F.C.'s mobility which was needed to perform his regular job. This modification was strongly approved by the worker's physician. It allowed the worker to return to work, while preventing him from becoming totally and permanently disabled. Approximate total cost was $2000.

7. R.W. is a 33 year old truck driver who sustained a lifting injury which resulted in severe carpal tunnel syndrome in both wrists. He was unable to return to his regular driving duties due to the repetitive lifting of the heavy hoses used for loading and unloading fuel from a tanker transport truck.

   MODIFICATION: Four of the company's trucks were installed with power steering and light-weight hoses. These modifications enabled R.W. to drive these trucks with his physical condition of two arm injuries and carpal tunnel syndrome. These modifications and R.W.'s subsequent return to work were strongly supported by his attending physician. Approximate total cost was $1800.

8. T.H. is a 54 year old production worker who sustained an injury to her low back while moving boxes of stationery. Medical information indicated she could not return to production type work. A modifiable new job was identified in the art department of the employing company. Her attending physicians released her to return to work in the following modified capacity.

   MODIFICATION: A fabricated drafting table was designed specifically to enable T.H. to use proper body mechanics. The table was designed to accommodate both standing and sitting positions by the worker. In addition, it was fitted with a special drafting arm, magnifying glass and a 4-position adjustable foot rest. A side table was constructed for easy access to her drafting materials and supplies. A fabricated stool was used in conjunction with the table, allowing her to become fully and gainfully employed. This modification was approved by her attending physicians and the state rehabilitation physicians. Approximate total cost was $3000.

9. M.M. is a 34 year old logging equipment operator whose industrial injury resulted in paraplegia. His employment outlook was additionally hampered by his exclusive employment history of logging for 14 years.

   MODIFICATION: An aerial electric hydraulic lift mounted in a pickup truck bed was used to lift the worker to and from the equipment cabs (10-12 feet above ground level) which are fitted with hand controls for operation. The pickup truck was also fitted with accommodating hand and lift controls. M.M. has sucessfully returned to work with the assistance of these modifications. Approximate total cost was $18000.00

Most of the above workers had no alternative skills with which to seek other employment. Without the modifications, the workers would probably have needed training or would have become permanently and totally disabled. A recent Workers' Compensation Department study shows that an average training program costs about $16,000 including living maintenance payments. A permanent total award may cost an insurer several hundred thousand dollars.

The injured worker is but a portion of the disabled population seeking work. Many of these disabled people may be on welfare rolls. Job site modification would also benefit these workers.

Consideration for job site modification would not only benefit the disabled employees, the employers would also be able to benefit. They could hire valuable people that they otherwise could not consider because of physical restrictions.

I feel that getting people back to work through government incentives for both architectural barrier removal and job site modification would benefit all aspects of society.

Sincerely,

Bill Dilworth

Bill Dilworth

STATEMENT OF DAVID MYERS

Mr. REYNOLDS. Mr. David Myers has a statement that he would like to give.

Senator ANDREWS. Mr. Myers.

Mr. MYERS [through interpreter Lillian Levy]. Mr. Chairman, I am David Myers from Baton Rouge, La., where I serve as a State coordinator of vocational rehabilitation services for the deaf and hearing impaired.

I am pleased to have this opportunity to appear before you again on behalf of the ATBCB. I was here last year to ask you to fund the Board because the administration had recommended zero funding and we were destined for extinction.

I thank you at this late date for your response to our request for funding which has enabled us to continue our work in making a barrier-free America.

This year the administration has recommended funding for the Board at a $1.7 million level. I compliment the administration for this support and we disabled Americans will interpret that as a positive step forward.

The $1.7 million funding level will enable the Board and the staff to function. But at that funding level we will not be able to do any of the research we need so badly. As you know, the Board is mandated to develop minimum guidelines and requirements for accessibility by disabled people to buildings owned and leased by the Federal Government.

The Board has completed much of this work as is evidenced by our publishing minimum guidelines and requirements. At the time we were developing these guidelines, they were used to develop the most beneficial and practical rules possible.

However, there were some areas where the necessary information was not available, so that these areas had to be reserved for later action.

Now we are attempting to complete our mandated work in these reserved areas, but still we do not have the information that we need, in spite of our extensive searching. We are in a position where we must develop the information that we need through research.

This research that we're talking about is not only necessary to help the Board complete its work on the minimum guidelines and requirements, but it will also benefit the 35 million disabled Americans. In order to do the research we need to complete our work, we need additional funding of $600,000 to $1,000,000 for fiscal year 1984.

CONCERN ABOUT COMMUNICATION BARRIERS

One area in particular which stands out because of the lack of information is the area of communication barriers. We are speaking of: Telecommunication devices for the deaf; tactile warnings for blind individuals; clear and distinct signage; emergency and warning alarms; visual cues; roll resistance; audible alarm systems; and many others which I could name.

The Board will shortly implement a research project in the area of telecommunication devices for the deaf which gives telephone accessibility. This was made possible by funding earmarked for that purpose by Congress last year. I look forward to reporting to you the results of that major research.

I have, however, serious concerns about other critically needed communication issues. As I have said, some issues cannot be addressed because of a lack of information. The health and safety of disabled persons is a serious factor in addition to mere building accessibility.

I would like to tell you about three recent incidents which took place in Washington and in New York.

The first person to die in an accident involved the Washington Metro system. And that was a blind woman who fell onto the tracks and died when she was hit by a train. The Metro system lacks any distinctive and effective tactile warnings.

Not long ago in New York City, President Reagan recognized the heroic efforts of a man who risked his life to save a blind individual who had fallen onto the subway tracks, where tactile warnings are also lacking.

The Board recently received a letter from a blind individual, and I would like to quote from that letter;

> I wish to comment on accessibility as it relates to tactile warning markers. Being blind, I realize the need for developing standards to inform blind persons that are using canes when they are approaching hazardous areas. On April 15, 1982 I fell off a Metro train platform while attempting to locate the escalator. After exiting from one of the center cars on the train, I walked, using my cane to direct me, toward the bank of escalators. As I moved to avoid the boarding passengers, I was moved toward the other side of the platform. Tactile warning markers on the edge of the platform did not warn me that I was near the edge. I fell off the platform and onto the tracks below.

I am submitting a copy of this letter for the record.

The Board has established as its first priority for research, the area of tactile warnings. As you can see, the safety of our blind Americans is an issue in addition to our quest for accessibility.

The Board is going to fund research in the area of tactile warnings. In this area there are also many other areas that need research. The Board would like to move on with its work in developing the minimum guidelines and requirements. And the health and safety of disabled Americans are also our concerns.

The cost of this research project is small when you consider the safety benefits, the benefits of enabling disabled Americans to more fully participate and work in our Nation.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Thank you very much. You mentioned a letter that we will include in the record as part of your statement.

[The statement and attachment follow:]

Statement of David Myers

MR. CHAIRMAN, I AM DAVID MYERS FROM BATON ROUGE, LOUISIANA, WHERE I SERVE AS STATE COORDINATOR OF VOCATIONAL REHABILITATION SERVICES FOR THE DEAF AND HEARING IMPAIRED.

I AM PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE YOU AGAIN AND ON BEHALF OF ATBCB. I WAS HERE LAST YEAR TO ASK YOU TO FUND THE BOARD BECAUSE THE ADMINISTRATION HAD RECOMMENDED ZERO FUNDING AND WE WERE DESTINED TO EXTINCTION. I THANK YOU AT THIS LATE DATE FOR RESPONDING TO OUR REQUEST FOR FUNDING WHICH HAS ENABLED US TO CONTINUE OUR WORK IN MAKING A BARRIER FREE AMERICA.

THIS YEAR THE ADMINISTRATION HAS RECOMMENDED FUNDING FOR THE BOARD AT A $1.7 MILLION LEVEL. I COMPLIMENT THE ADMINISTRATION FOR THIS SUPPORT AND WE DISABLED AMERICANS WILL INTERPRET THIS AS A POSITIVE STEP FORWARD.

THE $1.7 MILLION FUNDING LEVEL WILL ENABLE THE BOARD AND STAFF TO FUNCTION. BUT AT THIS FUNDING LEVEL WE WILL NOT BE ABLE TO DO ANY OF THE RESEARCH WE NEED SO BADLY. AS YOU KNOW, THE BOARD IS MANDATED TO DEVELOP MINIMUM GUIDELINES AND REQUIREMENTS FOR ACCESS BY DISABLED PEOPLE TO BUILDINGS OWNED AND LEASED BY THE FEDERAL GOVERNMENT. THE BOARD HAS COMPLETED MUCH OF ITS WORK AS IS EVIDENCED BY OUR PUBLISHED MINIMUM GUIDELINES AND REQUIREMENTS. AT THE TIME WE WERE DEVELOPING THESE GUIDELINES WE USED INFORMATION AVAILABLE TO DEVELOP THE MOST BENEFICIAL AND PRACTICAL RULES POSSIBLE. HOWEVER, THERE WERE SOME AREAS WHERE THE NECESSARY INFORMATION WAS NOT AVAILABLE SO THAT THESE AREAS HAD TO BE RESERVED FOR LATER ACTION. NOW WE ARE ATTEMPTING TO COMPLETE OUR MANDATED WORK IN THESE RESERVED AREAS BUT STILL WE DO NOT HAVE THE INFORMATION WE NEED IN SPITE OF EXTENSIVE SEARCHING. WE ARE IN A POSITION WHERE WE MUST DEVELOP THE INFORMATION WE NEED THROUGH RESEARCH. THIS RESEARCH WE ARE TALKING ABOUT IS NOT ONLY NEEDED TO HELP THE BOARD COMPLETE ITS WORK ON THE MINIMUM GUIDELINES BUT WILL ALSO BENEFIT OUR 35 MILLION DISABLED AMERICANS. IN ORDER TO DO THE RESEARCH WE NEED TO COMPLETE OUR WORK, WE NEED ADDITIONAL FUNDING OF $600,000 TO $1,000,000 FOR FY 1984.

ONE AREA IN PARTICULAR WHICH STOOD OUT BECAUSE OF A LACK OF INFORMATION WAS THAT OF COMMUNICATIONS BARRIERS. WE ARE SPEAKING OF:

- TELECOMMUNICATIONS DEVICES FOR DEAF PEOPLE;
- TACTILE WARNINGS FOR BLIND INDIVIDUALS;
- CLEAR AND DISTINCT SIGNAGE;
- EMERGENCY AND WARNING ALARMS;
- VISUAL CUES;
- ROLL RESISTANCE;
- AUDIBLE ALARM SYSTEMS;
- AND MANY OTHERS WHICH I COULD NAME.

THE BOARD WILL SHORTLY IMPLEMENT A RESEARCH PROJECT IN THE AREA OF TELECOMMUNICATIONS DEVICES FOR THE DEAF, WHICH GIVES US TELEPHONE ACCESS. THIS WAS MADE POSSIBLE BY FUNDING EARMARKED FOR THAT PURPOSE BY CONGRESS LAST YEAR. I LOOK FORWARD TO REPORTING TO YOU THE RESULTS OF THIS MAJOR RESEARCH.

I HAVE, HOWEVER, SERIOUS CONCERNS ABOUT OTHER CRITICALLY NEEDED COMMUNICATIONS ISSUES. AS I HAVE SAID, SOME ISSUES COULD NOT BE ADDRESSED BECAUSE OF THE LACK OF INFORMATION. THE HEALTH AND SAFETY OF DISABLED PERSONS IS A SERIOUS FACTOR IN ADDITION TO MERE BUILDING ACCESS. I WANT TO TELL YOU ABOUT THREE RECENT INCIDENTS WHICH TOOK PLACE IN WASHINGTON AND NEW YORK.

THE FIRST PERSON TO DIE IN AN INCIDENT INVOLVING THE WASHINGTON METRO SYSTEM WAS A BLIND WOMAN WHO FELL ON THE TRACKS AND DIED WHEN SHE WAS HIT BY A TRAIN. THE METRO SYSTEM LACKS ANY DISTINCTIVE AND EFFECTIVE TACTILE WARNINGS.

NOT LONG AGO IN NEW YORK CITY, PRESIDENT REAGAN RECONGIZED THE HEROIC EFFORT OF A MAN WHO RISKED HIS LIFE TO SAVE A BLIND INDIVIDUAL WHO FELL ONTO THE SUBWAY TRACKS, WHERE TACTILE WARNINGS ARE ALSO LACKING.

THE BOARD RECENTLY RECEIVED A LETTER FROM A BLIND INDIVIDUAL AND I WANT TO QUOTE FROM THIS LETTER:

> "I WISH TO COMMENT ON ACCESSIBILITY AS IT RELATES TO TACTILE WARNING MARKERS. BEING BLIND, I REALIZE THE NEED FOR DEVELOPING STANDARDS TO INFORM BLIND PERSONS USING CANES WHEN THEY ARE APPROACHING HAZARDOUS AREAS.
>
> ON APRIL 15, 1982, I FELL OFF A METRO TRAIN PLATFORM WHILE ATTEMPTING TO LOCATE THE ESCALATOR. AFTER EXITING FROM ONE OF THE CENTER CARS ON THE TRAIN, I WALKED, USING MY CANE TO DIRECT ME, TOWARD THE BANK OF ESCALATORS. AS I MOVED TO AVOID THE BOARDING PASSENGERS, I REARED TOWARD THE OTHER SIDE OF THE PLATFORM. THE TACTILE MARKINGS ON THE EDGE OF THE PLATFORM DID NOT WARN ME THAT I WAS NEAR THE EDGE. I FELL OFF THE PLATFORM AND ON THE TRACK BELOW."

I AM SUBMITTING A COPY OF THIS LETTER FOR THE RECORD.

THE BOARD HAS ESTABLISHED AS ITS FIRST PRIORITY FOR RESEARCH, THE AREA OF TACTILE WARNINGS. AS YOU CAN SEE, THE SAFETY OF OUR BLIND AMERICANS IS AN ISSUE IN ADDITION TO OUR QUEST FOR ACCESSIBILITY. THE BOARD IS GOING TO FUND RESEARCH IN THE AREA OF TACTILE WARNINGS THIS YEAR. THERE ARE MANY OTHER AREAS THAT NEED RESEARCH TO ENABLE THE BOARD TO MOVE ON WITH ITS WORK IN DEVELOPING MINIMUM GUIDELINES AND REQUIREMENTS - AND THE HEALTH AND SAFETY OF DISABLED AMERICANS ARE ALSO OUR CONCERN. THE COST OF THIS RESEARCH IS SMALL WHEN YOU CONSIDER THE SAFETY BENEFITS, THE BENEFITS OF ENABLING DISABLED AMERICANS TO MORE FULLY PARTICIPATE IN THE WORK AND LIFE OF OUR NATION.

THANK YOU.

LETTER FROM DAVID L. GREGAL

Ms. Sally Free March 3, 1983
A. T. B. C. B.
301 C Street. N. W.
Washington, D. C. 20201

Dear Sally,

I wish to express my appreciation for the efforts that you and the other staff members have made in assisting the handicapped community achieve accessibility.

I wish to commment on accessibility as it relates to tactile warning markers. Being blind, I realize the need for developing standards to inform blind persons using canes when they are approaching hazardous areas.

On April 15, 1982, I fell off a Metro train platform while attempting to locate the escalator. After exiting from one of the center cars on the train, I walked, using my cane to direct me, toward the bank of escalators. As I moved to avoid the boarding passengers, I veared toward the other side of the platform. The tactile markings on the edge of the platform did not warn me that I was near the edge. I fell off the platform and on to the track below.

The tactile markers that were meant to define the platform edge presented a safety hazard to me. The materials used as tactile markers were not distinctive enough to be easily detected by my cane. The contrast between the hexagon tile floor and the granite edging was difficult to distinguish.

Because of this experience, I surveyed tactile markers at other stations and found that although they may look alike, they don't feel the same. For example, there are differences between the edging and floor tiles at the Judiciary Square station and the Van Ness station.

I firmly believe that if Metro had constructed platforms where the edge was discernible from the rest of the platform, I would not have fallen and broken a wrist that day.

I strongly support any research that may lead to the development of standards for tactile warning markers. As a part of such research, I believe that the types of canes or cane tips that would give the user the most information about the surface should be studied, as well as materials and their textures.

I appreciate the opportunity to express my concerns. Thank you very much.

Sincerely yours,

David Gregal (AG)
David L. Gregal

STATEMENT OF HALE ZUKAS

Mr. REYNOLDS. Mr. Zukas is now here, Mr. Chairman.

Senator ANDREWS. As I understand it, he has a statement as well.

Mr. REYNOLDS. That's correct, Mr. Chairman. And if he could, Susan Chernilo who is assisting him would like to read that into the record.

Senator ANDREWS. However he wants to present it, we'll be glad to hear it. And we can assure him that the total statement will appear in the record.

Mr. REYNOLDS. Let me also, if I can, just jump in to introduce Lil Levy and Connie Spells who are the two interpreters that are here today with Mr. Myers.

Senator ANDREWS. Glad to have them here.

Mr. ZUKAS [through interpreter Susan Chernilo]. I am Hale Zukas from Berkeley, Calif., and I am cochair of the Transportation Committee.

I apologize for being late. One of the motors on my chair came unplugged.

Senator ANDREWS. Our Defense Department has the same problem.

Mr. ZUKAS. Anyway, I will have Susan read my statement.

The 28 research areas that Ms. Ford spoke of are survivors of a multiple stage process of prioritizing among over 100 research topics that have been identified. As one who has been involved in the field of accessibility for more than 10 years, I can attest that the remaining research agenda addresses some of the most pressing issues in the field.

To just give one example, I have been faced repeatedly with the question of how to provide warning or orientation cues to visually impaired persons when they are traveling in pedestrian environments. In short, there is absolutely no fat here. This research agenda is as solid as they come.

As a slight aside, I will say that I was amazed by the quality of the detailed draft work statements that Board staff developed within a very tight timeframe.

Two of the potential research projects concern issues in public transportation. When and if these projects get underway they will be the first substantial steps toward fulfilling the Board's congressional mandate in section 502(b)(8) of the Rehabilitation Act.

I would like to very quickly outline the background behind one of these projects. As you know, transit operators in many cities complain that very few people make use of the lifts on their buses. It is also the case that in many of these same cities bus lifts don't work a distressingly high percentage of the time. Thus you have a vicious cycle wherein encountering lifts that don't work, discourages people from riding the bus, which reduces the motivation to maintain the lift, which reduces lift reliability, still further and so on.

The Board is proposing a study which would identify the factors leading to lift reliability problems and recommend remedial measures. At the present level of research funding this study probably would not be funded until 1985. Heaven knows when it would be funded given the budget proposed by the administration.

I, therefore, urge this committee to increase the Board's appropriation by $500,000 over the administration's request so that we can tackle its research agenda at a respectable pace. I don't want to be still dealing with unanswerable questions when I'm 80.

That's all.

PREPARED STATEMENT

Senator ANDREWS. Thank you very much. And thank you all for your statements. We will insert Mr. Zukas' prepared statement in the record at this point.

[The statement follows:]

STATEMENT OF HALE ZUKAS

I am Hale Zukas from Berkeley, Calif. I am an ATBCB public board member and cochair of its transportation committee.

The 28 research areas that Ms. Ford spoke of are survivors of a multiple stage process of prioritizing among over 100 research topics that have been identified. As one who has been involved in the field of accessibility for more than 10 years, I can atest that the remaining research agenda addresses some of the most pressing issues in the field. To give just one example, I have been faces repeatedly with the question of how to provide warning or orientation cues to visually impaired persons when they are traveling in pedestrian environments. In short, there is absolutely no fat here; this research agenda is as solid as they come. (As a slight aside, I will say that I was amazed by the quality of the detailed draft work statements that Board staff developed within a very tight timeframe.)

Two of the potential research projects concern issues in public transportation. When and if these projects get underway, they will be the first substantial steps toward fulfilling the Board's congressional mandate in section 502(b)(8) of the Rehabilitation Act.

I would like to very quickly outline the background behind one of these projects. As you know, transit operators in many cities complain that every few people make use of the lifts on their buses. It is also the case that in many of these same cities, bus lifts don't work a distressingly high percentage of the time. Thus you have a vicious cycle wherein encountering lifts that don't work discourages people from riding the bus, which reduces the motivation to maintain the lift, which reduces lift reliability still further, and so on. The Board is proposing a study which would identify the factors leading to lift reliability problems and recommend remedial measures. At the present level of research funding, this study probably would not be funded until 1985; God knows when it would be funded given the budget proposed by the administration.

I, therefore, urge this committee to increase the Board's appropriation by $500,000 over the administration's request so that it can tackle its research agenda at a respectable pace. I don't want to still be dealing with unanswerable questions when I'm 80.

BOARD'S MINIMUM GUIDELINES AND REQUIREMENTS

Senator ANDREWS. Mr. Chairman, at this time last year the Board's principle activity was reviewing and revising the minimum guidelines and requirements for Federal accessibility standards. The final rule was published last August.

In what respects do the final standards differ from those originally proposed in January 1981?

Mr. REYNOLDS. I think there are substantial differences in the two rules. The effort was made to conform the standards to national standards that ANSI has to the extent possible so that there would be a more uniform set of accessibility criteria for people to follow.

Also there were extensive changes made in the scoping provisions to address some of the ambiguities in the original January guidelines.

We can provide to the subcommittee a full comparative analysis of the two in order to let you know exactly what the differences are.

Senator ANDREWS. If you could.

Mr. REYNOLDS. I'm afraid if we were to try to walk through them now we would be here for a long, long time.

Senator ANDREWS. If you could, Mr. Chairman, that would be most helpful.

[The information follows:]

ANALYSIS OF CHANGES MADE TO 1981 MINIMUM GUIDELINES AND REQUIREMENTS FOR ACCESSIBLE DESIGN

In action taken May 4, 1982, the Board approved amendments to the original regulation published in the Federal Register on January 16, 1981.

The enclosed reprint of part III of the August 4, 1982, Federal Register is a final regulation incorporating these amendments and culminating almost a year of public rulemaking.

The revised regulation will provide a basis for consistent and improved accessibility standards to be issued under the Architectural Barriers Act by the General Services Administration, the Department of Housing and Urban Development, the Department of Defense, and the United States Postal Service.

Revisions have been made in the Board's scoping provisions (i.e., the minimum number of accessible elements and spaces required) to clarify further these provisions and to provide additional flexibility to Federal agencies implementing these requirements. Such changes in the provisions for new construction have been made for entrances, toilet and bathing facilities, drinking fountains and water coolers, signage, assembly areas—including listening systems—and storage.

The section on "Additions" now excludes mechanical rooms, storage areas and other such minor additions not normally used by the public or employees. Such minor additions do not trigger requirements to provide an accessible entrance, toilet facility and route to the addition.

Under the revised guidelines and requirements, transit facilities have been excepted from certain requirements to provide elevators or other accessible vertical access equipment in alteration projects where it is structurally impracticable to provide such equipment.

The requirements' application to leased buildings has also been reserved, recognizing that the applicability of the Architectural Barriers Act to leased buildings is a legal issue on which the Board expresses no opinion. Leased buildings constructed or altered after August 12, 1968, in accordance with plans and specifications of the United States, are required to comply with applicable provisions of agency standards issued under the Architectural Barriers Act for new construction, additions, and alterations.

Subpart E, Special Building and Facility Types and Elements, continues to be reserved for the development of minimum guidelines and requirements for such special building and facility types and elements as residential structures, recreational facilities, historic structures, hospitals, food service facilities, and library stacks. Pending development of subpart E, HUD's current minimum property standards and 24 CFR Part 40 (1981) will be used for residential structures covered by the Architectural Barriers Act.

Other revisions have been made in the technical requirements to reduce the number of differences between the Board's minimum guidelines and requirements and the American National Standard Institute "Specifications for Making Buildings and Facilities Accessible to and Usable by Physically Handicapped People" (ANSI A117.1-1980). Cross references to ANSI provisions have been added to the guidelines and requirements for informational purposes. Provisions that continue to be reserved are exterior door opening force requirements, accessible windows, and the use and placement of tactile warnings. Signage provisions and the timing requirements for elevator door operation have also been reserved until additional information is obtained.

GUIDELINES THAT STILL REQUIRE ATTENTION

Senator ANDREWS. Now that the minimum guidelines issue is behind the Board, what major oversight activities do you contemplate conducting?

Mr. REYNOLDS. Well, I guess that I would first say that we don't view the guideline activity as being behind us because there were, as we've all indicated, a number of areas that were reserved in the guidelines that still require attention by the Board.

Part of our activity as required by the statute will concern obtaining sufficient information through research projects and otherwise to allow us to finish our job with the guidelines. Beyond that we would continue to provide technical assistance as we have in the past and, also, to fulfill, to the extent that we are permitted under the budget, our monitoring and enforcement activities with respect to the Federal Government's accessibility requirements.

STANDARD-SETTING AGENCIES

Senator ANDREWS. What steps are the standard-setting agencies, DOD, HUD, GSA, and the Postal Service, taking to implement these revised guidelines?

Mr. REYNOLDS. The four standard-setting agencies have developed a set of standards, a uniform set of standards that, as I understand it, has been transmitted to OMB and several other agencies for review prior to issuance in an NPRM, or notice for proposed rulemaking.

I'm not sure what the schedule is on the issuance of the uniform standards, but my information is that they now have moved to the point of clearance from OMB and the other necessary agencies. I suspect that these standards will be available for issuance in the near term. But I don't have a specific date on that.

Mr. ZUKAS. I might add that in November we were told that it would be available within a few weeks.

Senator ANDREWS. Do you have any indication that the standard setting agencies might not intend to conform to your Board's guidelines and requirements?

Mr. REYNOLDS. No; to the contrary, Mr. Chairman. I think that the standard-setting agencies have undertaken to conform with the guidelines and to draft uniform standards that are consistent with the guideline requirements.

I can't speak to your question in detail of the standards that the uniform agencies are proposing. From my general review of it, which is from the position of the Assistant Attorney General for Civil Rights, the Department of Justice, because we have a responsibility to review those standards, so far I have not found anything that would suggest to me that they are going to propose something inconsistent with the guidelines. One of the things that is being reviewed, however, is the consistency of the uniform standards with the guidelines that have been published by the ATBCB.

DECREASED FUNDING FOR RESEARCH

Senator Andrews. The Board's total budget request reflects a $320,000 decrease with a $354,000 reduction for other services, which includes research. That means that more than the total amount of your decrease is going to come out of this vital area of research.

Why is that the area that is singled out for the decrease?

Mr. Reynolds. Well, with the——

Senator Andrews. And then the question, of course, comes; what research programs and projects are going to be affected.

Mr. Reynolds. Right.

The way in which the Board's budget operates, we necessarily have to cover operating expenses and administrative costs that the Board assumes on a regular basis given the staff and the operations of the Board. What is left over after that is just about totally devoted to the research effort.

When you ask how do we determine how much is for research, it's really a process of elimination. Once we cover the necessary cost items, then we devote the rest to research. That means that the reduction in the budget will necessarily impinge on the research effort because we must cover the basic costs first.

Senator Andrews. As we see it research goes from $456,000 to $81,422.

Mr. Reynolds. The part of the research for fiscal year 1983 was a targeted amount that went to telecommunications devices as a separate item that Congress earmarked for funding. So the differential is not quite as great as those figures would suggest.

PRIORITY RESEARCH PROJECTS

Senator Andrews. If research funds were specifically provided by Congress as a line item, what priority projects could be undertaken?

Mr. Reynolds. What priority projects in the rest of the budget and what is not targeted?

Senator Andrews. In other words, if we looked at that slash in research funding and if we put money back specifically for research, what are the priority projects that you would address in that field of research? Or do you think you've done all you can do in the field?

Mr. Reynolds. No, no. I think that the discretionary funds for research for this year is $342,000 by our figures. We have prioritized as recently as yesterday's Board meeting a number of research projects that relate directly to reserved areas in the guidelines.

Of those priorities—I can list them specifically—ground and floor surface treatments was the first priority.

Senator Andrews. What you're talking about is 1983. What we're talking about is 1984.

Mr. Reynolds. We have not undertaken to set priorities on research for 1984 at this stage primarily because one of the things that would be a necessary part of that assessment is to determine what research was accomplished in 1983 and what would need to be carried forward on the basis of that research.

Also, we need to know what research is done through other organizations in the next year because the last thing we want to do is to establish a priority now on a research project that would be simply duplicative of something that was already done.

Senator ANDREWS. So at this point in time you couldn't indicate what you would put the priority figure on for research.

Mr. REYNOLDS. What we have done is listed as a priority matter some 10 separate research projects. Given our budget for this year it's clear to all of us that we are not going to get through that entire priority list. In fact, we're barely going to dent that priority list.

We would anticipate, and do anticipate, that for the following years we would continue down that priority list and do that which we were unable to do in this year. So that we have set a priority on different research projects that we want to get to.

Senator ANDREWS. Let me come at it another way.

Did you ask for more money from OMB for research projects originally?

BUDGET APPEAL TO OMB

Mr. REYNOLDS. We did file an appeal with OMB asking that the amount of the budget that it assigned to us be increased in order to enable us to conduct more research.

Senator ANDREWS. Did you specify in that appeal which research projects you wanted to conduct?

Mr. REYNOLDS. No; we did not approach OMB with a specific research project and ask for money for that specific project.

Senator ANDREWS. Could you put the specified wording of the appeal in the record at this point in time.

Mr. REYNOLDS. I'm sorry.

Senator ANDREWS. Would you provide the wording of your specific appeal for the record?

Mr. REYNOLDS. Certainly; we can submit the letter.

[The letter follows:]

LETTER FROM WILLIAM BRADFORD REYNOLDS

NOVEMBER 30, 1982.

Hon. DAVID STOCKMAN,
Director, Office of Management and Budget,
Washington, D.C.

DEAR MR. STOCKMAN: This is an appeal to the Budget Review Board from the Office of Management and Budget's (OMB) fiscal year 1984 budget allowance for the Architectural and Transportation Barriers Compliance Board (ATBCB). The ATBCB appeal concerns OMB's recommended decrease in the Board's overall annual budget of $200,000 and a reduction of 2 FTE positions.

The Board has as one of its primary statutory responsibilities the development of cost-effective technical requirements for accessibility guidelines. Specific sections of those guidelines were reserved by the Board, however, in order to obtain sufficient additional information, through research and field experience, to permit a more informed development of accessibility standards in the affected areas. The additional $200,000 requested by this appeal will allow the Board to undertake a modest, but desperately needed, research effort aimed at resolving some of the issues that remain open under the current guidelines.

Restoration of two FTE positions is sought in this appeal in order to maintain the current staff ceiling, which is essential for the Board to carry out its mandated responsibilities effectively. At the present time, the Board is operating with a minimum staff level; staff resources have been deployed to their maximum.

If the Board experiences an FTE reduction of two positions, it will be increasingly difficult for it to meet fully its statutory responsibility to provide technical assistance to both public and private entities enabling them to satisfy their obligations. Currently the staff receives over 20,000 requests annually for technical and related information on accessible design problems. The provision of timely, high quality technical assistance is very important. There is a widespread need across the country which, if addressed, can improve accessibility nationally, prevent costly construction errors and diminish costs significantly. This opportunity should not be lost because of insufficient Board resources.

In conclusion, the Board believes that there are compelling programmatic reasons supporting the request for an additional $200,000 and 2 additional FTE. These additional moneys and resources will maintain the Board at the current level and enable the Board to continue its important work in creating an accessible environment. Accordingly, on behalf of the ATBCB, I hereby request reconsideration of the Office of Management and Budget's fiscal year 1984 allowance for the Architectural and Transportation Barriers Compliance Board.

Sincerely,

WM. BRADFORD REYNOLDS, *Chairperson.*

RESEARCH PRIORITIES

Senator ANDREWS. Also you mentioned you had a list of 10 priority items identified in research.

Would you also put that in the record?

Mr. REYNOLDS. Yes.

Senator ANDREWS. Communications access affects 14 million deaf and hearing impaired citizens and 1.3 million blind Americans.

Mr. REYNOLDS. Can I ask a question for clarity?

Senator ANDREWS. Sure.

Mr. REYNOLDS. Is it satisfactory with the chairman if we submit simply the description list of the priorities?

Senator ANDREWS. Yes; you alluded to a list of 10 priorities, or thereabouts, a list of priority items for research.

Mr. REYNOLDS. I understand that. I didn't know whether you wanted cost figures associated with that.

Senator ANDREWS. No, no.

Mr. REYNOLDS. I certainly can make available to you the description of the priorities.

Senator ANDREWS. That is what we are looking for, as much information as we can find.

[The information follows:]

PRIORITIES ESTABLISHED AT MARCH 7 AND 8, 1983 ATBCB COMMITTEE AND BOARD MEETINGS

Research title, tasks, and comments:	*Priority*
Ground and floor surfaces: detectable tactile surface treatments	1
Signage: workshop	2
Alarms: background (in house), visual and audible	3
Hand anthropometrics: measurements, designs	4
Ground and floor surfaces: visual cues/warnings	5
Transportation: DPM study (in house), lifts	6
Systems approach (Conn)	7

Research title, tasks, and comments—Continued	*Priority*
Doors	8
Multiple disabilities: background, human data	9
Ground and floor surfaces: roll resistance	10
Elevators: door timing	11

COMMUNICATIONS ACCESS

Mr. ZUKAS. We agreed on the list of priorities at the Board meeting yesterday. We will be lucky to be able to complete two, or at most three, of the projects with this year's funding.

Senator ANDREWS. That's right. And that's very apparent, Mr. Zukas, to the committee. That's why we wanted to find out if some funds were restored in this category, what would be the research projects of priority that you would move to. And we'll have that information when the chairman submits it for the record. And we appreciate that very much.

Under communications access, I understand that it affects 14 million deaf and hearing impaired citizens and 1.3 million blind Americans. Research into this area was one area of congressional concern that led to the fiscal year 1983 funding.

What is in the budget this year for communications access research?

Mr. REYNOLDS. For 1984?

Senator ANDREWS. Yes; in the budget for 1984. When we talk about budget this year we're talking about the budget that we're conducting the hearings on, which is the fiscal 1984 budget.

Mr. REYNOLDS. The 1984 budget does not contain as a line item research for communications. We do have the TDD project that I discussed and Mr. Myers alluded to, that will be undertaken starting in April of this year. We think at that point we'll have the contract processed through the Department of Education's procurement office. That is a $120,000 research project. But we do not have in the 1984 budget any funds allocated for that particular area of research.

AUTHORIZING LEGISLATION

Senator ANDREWS. When does the administration plan to submit to Congress, Mr. Chairman, legislation extending the Board's authorization?

Mr. REYNOLDS. I don't know what the date is on that. I know that OMB is working on a package for the Rehabilitation Act which it will submit to Congress and it will be part of that.

Senator ANDREWS. We have to come within the authorization language. And, of course, the next question that follows that one; Will the fiscal year 1984 authorization be for your $1.7 million budget request allowed by OMB, or would it be for some greater figure, or do you know?

Mr. REYNOLDS. I could guess, but I'd better not. I don't know.

Senator ANDREWS. Well, you see, your authorization runs out the end of fiscal year 1983.

Mr. REYNOLDS. That's right.

Senator ANDREWS. You need new authorization for 1984.

Mr. REYNOLDS. Right.

Senator ANDREWS. That committee, of course, is bound to stay within the authorization. That is why I can't help but wonder on behalf of the committee what authorization request will come up to the administration so we know what we have to deal with.

Mr. REYNOLDS. I can appreciate that problem.

Senator ANDREWS. But you don't have those figures.

Mr. REYNOLDS. I don't have those figures. And I'm not sure that they will be shared with me before they are shared with you.

Senator ANDREWS. It is amazing how those things happen sometimes.

Mr. REYNOLDS. It is.

Senator ANDREWS. But if you do happen to run across them before the time for finishing this record closes, we would appreciate your including them in the record, Mr. Chairman.

Mr. REYNOLDS. I will certainly make an inquiry of OMB. And if there is any way I can obtain that information I will provide it.

[The information follows:]

The administration has requested $1.7 million for fiscal year 1984 and such sums as may be necesssary for the succeeding 4 fiscal years.

DOT CONSULTATIONS WITH THE BOARD

Senator ANDREWS. Section 317 of the recently enacted Surface Transportation Assistance Act required the Secretary of Transportation to promulgate regulations on transportation services for handicapped and elderly individuals.

Has the Board worked with the Department on these regulations?

Mr. REYNOLDS. Let me let Mr. Zukas answer that.

Mr. ZUKAS. Unfortunately not.

Senator ANDREWS. Do you know when these regulations are going to be issued?

Mr. ZUKAS. There is, apparently, a dispute within the legal staff at DOT over the meaning of some of the language in section 317.

And, so, I am not optimistic that they will meet the April 6 deadline. Anything you can do to nudge them along would be appreciated.

Senator ANDREWS. Mr. Chairman, let me ask you one final question.

Did you tell the Department of Transportation Secretary that you would be interested, in fact you would have some expertise to help them promulgate these regulations, or did you assume that they would out of their great and good wisdom assume that you were the ones that should be contacted in any event?

Did you make some overt gesture to the transportation folks to be included in that planning?

Mr. REYNOLDS. I don't think we made any formal overture of that sort, Mr. Chairman. Members of the ATBCB staff have been in discussion and consultation with people at the Department of Transportation regarding this matter. In that connection we certainly have let it be known that we have expertise and could assist.

But there has been no formal communication that I know of from the Board to the Department of Transportation.

Senator Andrews. If your staff were in communications with the staff from the Secretary's Office in DOT then I would assume the fact that you weren't called in for consultation was more a deliberate oversight than accidental.

Mr. Reynolds. Well, I'm not sure. As I understand the process there will be an opportunity for comment after the Department of Transportation has promulgated the regulations.

Senator Andrews. The reason for having your Board, Mr. Chairman, is because it brings together a number of people from different parts of this country who have experienced these problems and who have been in touch with people in their areas of the country who have the same problems.

You would almost think that if such contact was made by your staff and the staff at DOT that they would have contacted you to get some input. And that makes it, shall we say, a conscious overlook instead of an unconscious.

So I guess if they consciously overlooked you, Mr. Chairman, that is a little bit more blatant than if they unconsciously overlook you. And that's what you were driving at, and the fact that you did have staff communication with their staff, of course.

Mr. Reynolds. Let me just say, I'm not sure at what level the conversations were held with the Department of Transportation staff. I do know they now have a new Secretary over there, and with those kinds of things that are occurring, I would not want at this juncture to jump to a conclusion that they had decided to ignore us.

Senator Andrews. But the point is, Mr. Chairman, you and your staff didn't sit there and hide your head in the sand and make no overture whatsoever. Some overture was made, not a formal one as you pointed out, but some overture was made that you were there ready, willing, and able to contribute to promulgation of this kind of regulation. And they chose to ignore whatever they could learn from you. At least that is the impression that I have based on what you just said.

Do you have something to add?

Mr. Zukas. I might add that I have not been happy with the way that DOT has not been consulting the Board on several regulation issues of which this is only one. I think this may be a matter which should be addressed in the reauthorization for the Board.

SUBMITTED QUESTIONS

Senator Andrews. Thank you very much, Mr. Chairman, and members of the Board. Also, Mr. Chairman, I have some additional questions for the record. Senator Chiles has some additional questions for the record that we will submit to you to be answered.

Mr. Reynolds. We'll respond to them just as soon as we get them, Mr. Chairman, and get them back to you.

Senator Andrews. Thank you very much.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

RESERVED SECTIONS

Senator Andrews: Last year we were told that the Board voted to reserve sections of the minimum guidelines and requirements in the communications area, pending further research. What is the status of the section on tactile warnings, permissible operating forces, and special use facilities?

Mr. Reynolds: As part of its contract with the National Center, a technical paper on Ground and Floor Surface Treatments was developed. Based on recommendations contained in the paper, and on other available information, the Board has decided to initiate research on detectable tactile surface treatments. The Board will be sending a proposal to our contract office shortly for processing as a competitive procurement.

Although some research on operating forces for doors is nearing completion, it appears that additional research may be needed in order to establish quantitative criteria for door closure forces. A recent technical paper on accessibility requirements for window operation also pointed to the need for research on force and other operating requirements prior to the development of accessibility regulations. Both studies address the need to understand better the patterns of operation, that is, the process used by persons to approach, unlock, unlatch, open, use, and to close.

Special use facilities, such as housing and recreation, are recognized by the Board as areas needing to be developed. We anticipate that the proposed uniform standard may address some of these issues and thus provide a focus for the Board to initiate action with respect to special use facilities.

Senator Andrews: Was the research contracted with the National Bureau of Standards, originally cancelled in 1981, finally funded?

Mr. Reynolds: No. Since the Board did not obligate those funds during the Fiscal Year 1981 contracting period, the funds reverted to the Department of Education. During 1982 and 1983, however, several of the research areas identified in the NBS proposal were reviewed and technical papers were developed summarizing field experience and completed research. Based on these reviews, the Board has proposed to fund in FY 1983 research in areas similar to those contained in the National Bureau of Standards (NBS) proposal.

IMPLEMENTATION BY AGENCIES

Senator Andrews: Please describe the process used in the development of the so-called "Uniform Federal Accessibility Standard." Is it consistent with the Board's Minimum Guidelines and Requirements for Accessible Design? Please describe any deviations from the ATBCB Minimum Guidelines and Requirements for Accessible Design, including changes in format, illustrations, scoping and technical requirements.

Mr. Reynolds: Following the issuance of the original Minimum Guidelines and Requirements in January 1981, David Stockman established a committee to develop a uniform Federal standard that would be based on the guidelines and ANSI-1980. The committee was composed of representatives of the Federal members of the ATBCB and a representative from the Board staff. GSA, USPS, Defense, and HUD were the only committee members given voting privileges. GSA was chosen to chair the committee.

Only technical requirements were considered by the committee during this review process. Scoping (i.e., minimum number) requirements were not addressed. Based on comments received during this process, GSA was given the responsibility by the other standard-setting agencies to develop a draft proposal.

Prior to the publication of this draft proposal in the Federal Register, the ATBCB revised its Minimum Guidelines (August 1982). The proposed uniform standard, as a result, also required revision. That revision has been undertaken by the four standard-setting agencies mentioned previously.

It is our understanding that a draft proposal of the revised uniform standard has now been completed and that the proposal has been sent to the OMB for review in accordance with the procedures in Executive Order 12291. The Board has not yet had the opportunity to review this document.

Mr. Zukas: I wish I were able to answer the question. I myself have for a long time been very curious to see if the Uniform Federal Accessibility Standard is consistent with the minimum guidelines and requirements. In his oral testimony, Mr. Reynolds said that his staff, acting in their coordination and review functions, had found that the Uniform Federal Accessibility Standards was substantially in compliance with the minimum guidelines and requirements. Nothing, in the little information I have on the subject, contradicts with that statement. I can say nothing more definite than that, however, because for almost a year no one from the Board has been allowed to participate in the development of the Uniform Federal Accessibility Standards or to see any of the documents coming out of that process.

Senator Andrews: What is the ATBCB's relationship or involvement in the efforts by Federal agencies to develop a uniform Federal accessibility standard?

Mr. Reynolds: The ATBCB staff submitted comments on drafts of the proposed uniform standard completed prior to the Spring of 1982. With publication in the Federal Register of the Board's Minimum Guidelines and Requirements for Accessible Design in August, 1982, the standard-setting agencies have had the guidance of those accessibility criteria in developing the current proposal. The ATBCB anticipates having an opportunity to comment fully on that proposal as soon as it is issued as a Notice of Proposed Rulemaking.

RESEARCH REDUCTION

Senator Andrews: How is the level justified within OMB's larger framework of a domestic spending freeze?

Mr. Reynolds: The OMB domestic spending freeze is flexible, permitting higher or lower levels of expenditure for particular programs while maintaining an overall freeze at the current total level for domestic programs. The $1.7 million level requested for the ATBCB falls within that framework.

ACCESSIBILITY OF ROLLING STOCK

Senator Andrews: What is your role regarding ensuring accessibility in transportation rolling stock?

Mr. Reynolds: Section 502(b)(8) of the Rehabilitation Act of 1973, as amended, requires the ATBCB to ensure that "...public conveyances, including rolling stock, are readily accessible to, and usable by, physically handicapped persons." The Department of Transportation (DOT), a Board member, is currently developing a Notice of Proposed Rulemaking (NPRM), to implement Section 504 of the Act, and the NPRM is expected to address rolling stock accessibility in some respect. It is not clear where the DOT and ATBCB mandates overlap or conflict and the ATBCB Transportation Committee has been exploring areas of mutual cooperation and coordination. There have been some preliminary discussions about a Memorandum of Understanding between DOT and the Board. The Board's Transportation Committee will continue to explore this issue.

In addition, the American Public Transit Association (APTA) has been approached on the subject of establishing voluntary industry standards. So far, there has been no response from APTA to our letter.

Mr. Zukas: The Board's role in this area is yet undetermined. Whatever that role turns out to be, it will obviously have to be exercised in close coordination with the Department of Transportation, whose influence pervades virtually the entire field. Consequently, as a first step toward defining the Board's responsibility, the Transportation Committee a year ago asked DOT for its views on the matter. An interpretation of the Board's statutory authority in the area was prepared by the DOT Office of General Counsel. In the view of the Board's legal staff, however, this interpretation was too restrictive. Subsequently, representatives from both agencies' staff met to try to narrow their differences. Several months ago, the person in DOT's staff office of the General Counsel, who was dealing with the matter, left the DOT, and the matter has been in abeyance since.

Senator Andrews: The Board's 1982 Annual Report indicates that the Transportation Committee of the Board is attempting to clarify DOT's responsibilities relative to the Board's statutory requirements. Has this led to improvement in your relations with the Department of Transportation? What will be DOT's role regarding acccessible public conveyances?

Mr. Reynolds: The Department of Transportation has been an active member of the Board's Transportation Committee and some recent communication at the staff level has increased since the Board hired staff to provide a point of contact on transportation issues. We expect this increased contact to further coordination and cooperation.

As mentioned previously, DOT is currently developing an NPRM on its 504 rule which is expected to address some aspects of rolling stock accessibility. When the NPRM is issued, the Board will have an opportunity to comment during the normal public comment period.

Mr. Zukas: Communication between the Board and DOT has improved at the lower staff level to the point where it is now quite good with respect to matters of a technical nature (sharing information on research and development projects of mutual interest, for instance) or concerning individual problems. When it comes to matters that are more policy-related, however, DOT has shown absolutely no interest in communicating with the Board. My perception is that as far as the policy-making levels at DOT are concerned, the Board might as well not exist.

Let me give an illustrative example. As you may be aware, for the last year and a half, DOT has been working on a permanent 504 regulation to supplant the Interim Final Rule issued on July 20, 1981. The Board has repeatedly expressed interest in reviewing and commenting on this document while it was in draft form. DOT has responded by saying that we would get it after it has received all clearances, immediately before being published in the Federal Register and the Board would have an opportunity to comment on the proposed rule just like anyone else. I have learned that the earlier one's input into the decision-making process, the more effective that input is likely to be. Conversely, not accepting Board input until the last stage of this rulemaking process will render that input virtually ineffective.

I consider that in thus foreclosing any input by the Board into its decision-making process, DOT is being very short sighted, for by doing so it is depriving itself of the considerable expertise that the Board possesses on the issue of transportation for disabled persons.

Senator Andrews: The Architectural Barriers Act requires that new rail stations be accessible. Has UMTA insured that platforms and cars are also accessible?

Mr. Reynolds: In July 1981, DOT replaced Subpart E of its 1979 504 rule with the so-called Interim Final Rule, which is silent on the issue of accessibility of new or renovated fixed-guideway transit systems. DOT was planning to issue supplementary guidance on the subject and the Board asked for input in developing such guidance with respect to facilities subject to the Architectural Barriers Act. DOT regards such guidance as an internal document, not available for external discussion.

We have been informed that the rail-to-platform height of the new stations in Chicago is consistent with the self-leveling capabilities of new rail vehicles so that coordination is possible when and if new cars are ordered. As yet, the Board has not been advised whether the new DOT 504 rule will address this issue.

Mr. Zukas: During the Ford Administration, a provision was added to UMTA at 45 CFR 609, requiring that design of rail transit vehicles and stations be coordinated so as to minimize the horizontal and vertical gap between station platform and car floor; this provision was incorporated into DOT's 504 regulation when it was issued in 1979. The July 1981 Interim Final Rule which replaced the 504 regulations did not address the car/platform issue. (All other requirements relating to vehicle accessibility have been repealed as well.) The elimination of the requirements of car/platform coordination (something everybody would favor), ~~is in~~ my view, a good example of the Administration's mindless zeal for "regulatory reform" and "flexibility."

TECHNICAL ASSISTANCE

Senator Andrews: One area of considerable concern last year was the appropriate provision of technical assistance to the public on accessibility. In what areas did the Board provide technical assistance last year?

Mr. Reynolds: The areas in which the Board provided technical assistance last year are as follows:

- Revised provisions in the ATBCB Minimum Guidelines and Requirements for Accessible Design on the number, location and technical specifications for accessible telephones and related equipment. The revisions also clarified human data text and illustrations. (January 27, 1982, 47 FR 3934)
- Developed research proposal to study issues affecting the installation, maintenance, usage and cost of TDDs. (April 1982)

- Entered into contract with the National Center for a Barrier Free Environment to increase the availability of timely, accurate information and technical assistance services through improvements in the Board's technical library and its codes and standards reference files and to develop technical papers on accessibility issues. (May 24, 1982)

- Issued revised regulation on Minimum Guidelines and Requirements for Accessible Design to respond to concerns raised by several Board members and to reduce the number of differences between the Board's guidelines and requirements and the American National Standards Institute's "Specifications for Making Buildings and Facilities Accessible to and Usable by Physically Handicapped Persons (ANSI A117.1-1980). This process involved the review and evaluation of more than 4,500 comments received from the public in response to the Board's rulemaking proposal. (August 4, 1982, 47 FR 33862)

- Completed drafts of technical reports on orientation and wayfinding, floor and ground suface treatments, multiple disabilities through the life span, hand anthropometrics, and windows. (October 1982) The findings from these papers will identify available research and relevant information needs for the Board to determine if it should develop specific accessibility requirements or if additional research is needed.

- Developed research agenda for access issues. (February 1983)

- Developed one of the most comprehensive technical resource libraries in existence on architectural, transportation, communication, and attitudinal accessibility concerns. The automated library is comprised of 1,500 to 2,000 documents and includes annotated bibliographies, product literature, and a comprehensive accessibility codes and standards collection. (On-going)

- Provided responses to approximately 7,900 technical inquiries on specific accessibility design and construction problems.

- Participated in numerous educational and informational seminars and workshops on accessibility. These include the following:

Educational Programs:

- Electrical Industries Association - Provided information on communication problems encountered by disabled people and reviewed Federal requirements in this area; addressed role of the ATBCB; and provided input in setting electronic standards for telecommunication for the deaf. (4 separate meetings)

- Rehabilitation Conference of North America - Provided overview of ATBCB and presented paper on delivery system technology for communication barriers.

- National Technical Institute of Deaf - Presented assessment of the Federal Government's progress in the development of communication standards for disabled individuals.

- President's Committee on Employment of the Handicapped - Responded to questions and problems on communication aids.

- AIA presentation - Addressed problems encountered by disabled people in using buildings and facilities; reviewed Federal accessiblity requirements.

- Office of Statewide Compliance Coordination, State of California - Addressed role of ATBCB; provided overview of technical and scoping requirements of the Minimum Guidelines and Requirements for Accessible Design; reviewed Federal accessibility requirements.

- SEDG - Society of Environmental Graphic Designers - Reviewed signage and wayfinding code requirements, research, and other information available on signage and accessibility; reviewed Federal accessibility requirements; provided overview of ATBCB actions.

- Construction Specification Institute - Responded to questions and problems on accessibility.

- Luthern Council in the USA - Provided overview of Federal regulations on accessibility; gave status report on Minimum Guidelines and Requirements for Accessible Design; described technical and scoping requirements of regulation.

- State and Consumer Services Agency, California - Responded to questions on accessibility and provided general information on ATBCB requirements, Federal regulations, ANSI-1980 requirements.

- American Public Transit Association - Attended and chaired workshop on transportation for disabled people and on ATBCB role in accessibility.

- Designed Environments for All People - Arranged and chaired workshop on transportation for disabled people (air, paratransit, rapid rail, etc.); conference sponsored by NCBFE, AIA, ASID, etc. at UN.

- Washington Metropolitan Accessible Transportation Alliance -Gave overview of transportation systems planning, presented cost information on bus retrofit, assisted in interpretation of Federal regulations on transportation for disabled people (workshop).

- International Commission on Technical Aids, Buildings, and Transportation - member of conference panel, presented overview of transportation services for disabled people in United States, presented paper on design criteria for services.

- University of Michigan, Ann Arbor - Member of panel, discussed design criteria for transportation for disabled people, participated [illegible] small workshop to assist university officials in designing accessible inter-campus transit system.

- Access to the Skies - Collected information on state-of-the-art in air transportation for disabled people, developed resources for future technical assistance.

Senator Andrews: What level of funding and personnel support does your budget request contain for technical assistance? For what programs?

Mr. Reynolds: The level of funding and personnel support contained in the budget request for technical assistance and those programs involved, are as follows:

Director - 75% - Responding to technical requests, development of guidelines, staffing, personnel evaluations, supervision of personnel; 5% - contract development, policy development, Federal compliance systems.

Architect - 100% - Review of plans and specifications, technical assistance to Federal, state, local and private organizations, request for assistance from compliance and enforcement agencies, education program development.

Communication Specialist - 100% - Responds to technical requests, contract monitoring, guideline development, education program development, Communication Committee liaison.

Transportation Engineer - 100% - Transportation issue development, guidelines development, educational program development, Transportation Committee liaison.

Program Analyst (Costing) - 100% - Guideline development, costing information, educational program development, technical requests, contract monitoring, ANSI Committee.

Program Analyst - 100% - Technical library development, contract monitoring, computer analysis/review, general technical requests.

Compliance System Analyst - 100% - Federal self-compliance systems development, review of completed system.

Secretary/Administrative Aide - 100% - Typing, filing, technical library maintenance

The budget request contains approximately $360,000 for technical assistance. This includes salaries for staff, costs for the technical services library and staff travel to workshops, and conferences.

Senator Andrews: If additional funds were provided for technical assistance, how would they be utilized?

Mr. Reynolds: During FY 1984, the Board will continue to develop the reserved sections of the Minimum Guidelines and Requirements and to refine those provisions needing additional information (Attachment A). Many of these technical areas require further research before the Board can proceed. At its March meeting, the Board approved a list of priorities for research and authorized the staff to pursue, through competitive procurement, the research described (Attachment B). Based on preliminary cost estimates and available funds, only two or three of these projects will be funded during FY 1983. It is anticipated that other projects will be scheduled during FY 1984, if additional funds become available.

COMPLIANCE COMPLAINTS

Senator Andrews: How many accessibility complaints were received by the Board last year?

Mr. Reynolds: The Board received 119 complaints during FY 1982. This is an increase of 12% over the number of complaints received during the previous year.

Senator Andrews: To what aspects of accessibility are the complaints directed?

Mr. Reynolds: The range of complaints received is wide, covering physical as well as attitudinal barriers. The most frequently received complaints concerning physical barriers focused on inaccessible building entrances, the lack of ramps, elevator button height, inaccessible bathrooms, and the lack of curb cuts.

In addition to its own investigations, the ATBCB worked with other Federal agencies responsible for the implementation of Sections 501, 503, and 504 of the Rehabilitation Act in order to resolve overlapping complaints. The Board also worked with private institutions to resolve complaints not covered under the 1968 Architectural Barriers Act.

Senator Andrews: Do you feel there were more complaints than the previous year because Congress resolved the ambiguity over the Board's funding?

Mr. Reynolds: That is difficult to assess. It can be said that the number of complaints has increased slowly but steadily over time, along with the public's increased awareness of the Board's existence.

Senator Andrews: Do you feel that complaints reach the Board because they are ignored by Federal agencies?

Mr. Reynolds: Probably not. Most complaints received by the Board have not previously been filed with other Federal agencies.

COMMUNICATIONS ACCESS

Senator Andrews: What progress has been made in this area so far? What remains to be done?

Mr. Reynolds: In June 1983, a contract will be awarded which will initiate the first ATBCB research contract in the area of Telecommunication Devices for the Deaf (TDD). The data obtained from this contract will enable the Board to complete one of the reserved sections of the Minimum Guidelines and Requirements for Accessible Design.

Other communication issues that need to be resolved are:

- tactile warnings for blind individuals
- visual alarm systems
- audible alarm systems
- clear and distinct signage requirements
- visual cues and warnings

IMPLEMENTATION OF SEC. 317
(SURFACE TRANSPORTATION ACT)

Senator Andrews: When will the DOT regulations on transportation services for handicapped and elderly individuals be issued?

Mr. Reynolds: Section 317 of the Federal Public Transportation Act of 1982 requires that DOT publish a Notice of Proposed Rulemaking to implement that section on or about April 6, 1983, and publish a final rule on or about July 6, 1983. The Board has received no direct information regarding the progress that DOT is making in the development of those regulations.

Senator Andrews: How will they fit into existing regulations regarding transportation accessibility?

Mr. Reynolds: While the regulation required under Section 317 is technically distinct from the DOT 504 rule, it is expected that the two will be coordinated since they overlap to some extent. Until the NPRM is published, we will not know how it relates to the Board's responsibilities.

SOLE SOURCE CONTRACT

Senator Andrews: The Planning and Budget Committee has approved a sole source contract with the National Center for a Barrier-Free Environment. How much is the total contract?

Mr. Reynolds: The contract with the National Center for a Barrier-Free Environment was for $252,018.00.

Senator Andrews: What services are called for?

Mr. Reynolds: The objective of the National Center contract was to assist the Board in meeting the demonstrated need for technical assistance on accessiblity issues by developing further the Board's resources and increasing the availability of timely, accurate information and technical assistance services.

The contract contained five distinct tasks to meet this objective:

1. To design and develop a system to organize and manage the ATBCB's existing document collection and to assist in the acquisition and organization of additional documents. As a result of this task, the Board will have one of the best libraries in existence on architectural, communication, transportation, and attitudinal barriers. When completed, the Board's system will be fully automated and will include abstracts on its major publications.

2. To respond to requests for information on accessibility questions concerning the design, construction, and alteration of buildings and facilities owned and used by the private sector.

3. To provide to people requesting assistance the names of architects and designers, disabled persons, service providers, contractors, code officials, manufacturers, and other interested individuals who are available at the local level to provide assistance.

4. To design and develop a system for organizing and managing the Board's codes and standards reference file to ensure that the ATBCB has current and complete copies of all codes and standards affecting accessibility in buildings and facilities.

5. To develop five technical papers on accessibility issues. The five papers include a review of ground and floor surface treatments, orientation and wayfinding, multiple disabilities through the life span, hand anthropometrics, and windows. These papers have been extremely useful in assisting the Board in establishing research priorities for FY 1983 and in making decisions concerning the development of the reserved sections of the minimum guidelines and requirements.

Senator Andrews: When will the contract expire?

Mr. Reynolds: The contract with the National Center for a Barrier-Free Environment will expire on March 31, 1983.

STUDY OF FUTURE REQUIREMENTS

Senator Andrews: With the U.S. population inexorably growing older, it seems Congress should adequately prepare for facilities to serve a larger elderly and disabled community. What reaction do you have to a study, to be conducted by GAO, into those needs? The study would attempt to define the future size of the disabled section of the population, and considerations of accessibility, particularly in the transportation area. What criteria should be considered in undertaking such research?

Mr. Reynolds: In 1978, the Department of Transportation (DOT) published the Technical Report of the National Survey of Transportation of Handicapped People, a study which attempted to define the transportation needs of disabled and elderly people. The study presented the test subjects with several scenarios and asked them to indicate whether they would use the services described. In order to eliminate "noncommitment survey bias" (that is, the tendency to subjects not to do what they say they will), the authors developed a "barrier-sensitive potential" to identify barriers in the environment which would discourage the subjects from using the services. Unfortunately, the barrier-sensitive potential failed to weight such barriers according to whether they were critical (e.g., steps on a bus) or merely minimal hindrances (e.g., unfriendly bus drivers). Moreover, many of the "barriers" identified were those factors (e.g., poor schedule adherence, not enough routes, crowding, etc.) which also discourage the able-bodied public from using public transportation. No attempt was made to determine to what extent these factors are greater barriers to elderly and disabled persons. Finally, the barriers described were often based more on stereotypes about disabled and elderly persons than on facts and often failed to take into account new technology such as power chairs, etc.

In addition to studying transit needs, other studies and reports have attempted to measure the "effectiveness" of various services provided to elderly and disabled people. Such studies have usually relied on the traditional measure of transit productivity, "ridership." This variable is often confused, sometimes intentionally for marketing purposes, with the number of riders when, in fact, it is a measure of the number of rides. The distinction is usually not critical when dealing with the large volume of people passing through a typical urban public transit system, but in specialized services seemingly impressive ridership figures are often the result of a small number of people who make many trips. Thus some other measure should be developed to determine how well a transit system for elderly and handicapped people is serving the target population.

In 1976, the Board's Transportation Barriers Specialist, developed service level criteria for assessing the adequacy of the services provided to elderly and handicapped persons. That criteria was the basis for the Board's transportation policy codified at 36 CFR 1151.3. More recent efforts, including a preliminary paper by David Lewis of the Congressional Budget Office, have attempted to quantify this concept. In fact, last year, the GAO conducted a study of "special efforts" transit planning in selected cities to determine how comparable the services were to those provided to the able-bodied population in the same city.

If there is a new study by GAO, it should continue where the earlier study left off and attempt to assess how the services have actually affected the target population. In this regard, the study should examine whether ridership, per se, is a valid measure of productivity and if not, develop better criteria. A new measure of noncommitment survey bias should be developed, one based on actual abilities of the target group and properly weighted. An attempt should be made to validate the premises of David Lewis' study and perhaps priority rank the equivalency factors so that transit planners can evaluate a given service. Such a priority rank would be valuable to legislators seeking to determine whether further legislation is necessary. Section 317 of the Federal Public Transportation Act of 1982 was designed to promote the use of service criteria. A GAO study might be able to help Congress decide if that section is sufficient to produce the desired effect. Finally, many of the so-called "accessibility features" of modern rail transit are really good human engineering.

Good design for all people contributes to maximum utilization. The cost of providing such features, therefore, should not be charged against handicapped and elderly people. The cost-effectiveness of elevators, for example, should be determined by total utilization, not just the number of wheelchairs. A GAO study might help to identify the true cost differentials in providing various services.

The ATBCB would be very interested in such a study and would be more than happy to help GAO develop the criteria. The Board's Office of Technical Services is staffed with experts on a wide range of accessibility issues. A properly designed study could help answer some of the most difficult questions for federal, state, and local policy makers.

DISCRETIONARY FUNDS

Senator Andrews: Please provide a breakdown of the types of discretionary programs and projects funded, FY 1982-1984. Indicate specifically subject areas funded in the research category.

Mr. Reynolds: Over the past year, the Board has entered into various contracts for administrative and research purposes.

Contracts for administrative purposes (which will be continued in FY 1983 & FY 1984) include: a Memorandum of Agreement with the Department of Education for support services; salaries for attendants to assist severely physically handicapped Board members; computer terminals, word processors, copier; interpreter services; stenographic services (to provide verbatim transcripts of Board meetings); mailing service, and drayage for exhibits.

The Board has entered into a contract with Fairfax County for the provision of computer services. This is necessary for maintaining the Board's complaint tracking system, technical library and mailing list. This will also be continued in FY 1983-1984.

Research

The Board also entered into a contract with the National Center for a Barrier Free Environment to assist the ATBCB in meeting the demonstrated need for technical assistance on accessiblility. The National Center has been providing a number of services designed to increase the availability of timely, accurate information and technical assistance. Specifically, the National Center is (1) designing a system to organize and manage the Board's existing document collection and to assist in the acquisition and organization of documents needed to complete the Board's collection; (2) responding to appropriate requests for information and technical assistance; (3) providing information to interested individuals on technical assistance providers who are available to assist persons and organizations wishing to create accessible facilities; (4) designing and developing a system for organizing and managing the Board's codes and standards reference file; and (5) developing five technical papers to be used by the Board in defining research, rulemaking and other needs.

The Board has developed a research proposal to address questions on the number, placement and location of telecommunication devices for the deaf (TDD). The announcement of this proposal is scheduled to be advertised in the Commerce Business Daily on March 9th.

During FY 1983, the Board reviewed the reserved sections of the minimum guidelines and requirements and other areas identified as needing additional information (Attachment 1). Based on this review, Board members established by order of importance a listing of eighteen major subject areas requiring research to resolve outstanding issues (Attachment 2).

The Board has not yet voted on its research priorities for Fiscal Year 1984.

ENFORCEMENT

Senator Andrews: What enforcement litigation did the Board pursue last year?

Mr. Reynolds: The Executive Director initiated formal proceedings against the General Services Administration concerning alleged violations in the courtroom design in two new Federal courthouses, one in San Jose, California, and another in Springfield, Massachusetts. The administrative law judge found no violations. In-re Compliance, Two New Courthouse Projects, San Jose, CA, and Springfield, MA, Citation No. 11-81-9.

Senator Andrews: How many waivers and modifications were reviewed last year? What percentage were disapproved by the Board?

Mr. Reynolds: The Board reviewed five requests for waivers last year, all concerning highway overpasses. None were disapproved by the Board.

STATE CODES AND SEMINARS

Senator Andrews: Last year the Board testified that its contract with the National Conference of State Building Codes and Standards was cancelled after only twenty seminars had been held. Was the activity resumed last year, once Federal funding was provided?

Mr. Reynolds: The contract with the National Conference of State Building Codes and Standards was not resumed because of policy decisions made at the time by the Board. This type of contract has not been addressed by the Board since the contract was terminated.

Senator Andrews: Did the Board contract with the National Conference of State Building Codes and Standards to make a state-by-state comparison of state and Federal accessibility requirements?

Mr. Reynolds: The objective of the contract with the National Conference of State Building Codes and Standards was to provide state and local building officials, facilities engineers, procurement officers and building professionals with uniform interpretation of the guidelines and requirements, the reason for certain specifications, and to explore how the Federal guidelines differed with existing state requirements. For this purpose a synopsis of the basic differences between state barrier-free code provisions and the Federal requirements was prepared. The synopsis was provided to participants at the end of each seminar.

QUESTIONS SUBMITTED BY SENATOR CHILES

RESEARCH ACTIVITIES

Senator Chiles: The Administration has proposed a $320,000 or a 16% decrease to the Board's funding request, and almost all of that comes out of the line item labeled, "Other Services." This line item is, of course, used to fund research activities that are important to the Board in your continuing efforts to develop guidelines.

A. If your budget is approved as requested, what type of research activities will be funded?

Mr. Reynolds: The Board has not yet voted on its research priorities for Fiscal Year 1984. It has, however, prioritized research projects that are contemplated in order to permit the Board to complete a number of the reserved sections of the Minimum Guidelines and Requirements. With whatever funds are approved for research activities, the Board will proceed with the projects listed in Attachment 2 in the order designated.

B. If the reduction proposed from last year's funding level is restored, how would the funding be used? How much would be used for research? What type of research? Is research a priority for incremental funding?

Mr. Reynolds: (1) During FY 1983, the Board reviewed the reserved sections of the minimum guidelines and requirements and other areas identified as needing additional information (Attachment 1). Based on this review, Board members established by order of importance a listing of eighteen major subject areas requiring research and related activities to resolve outstanding issues (Attachment 2). This list was further refined at the March 1983 meeting and the Board directed the staff to proceed in processing research proposals for competitive procurement in the order established at the meeting (Attachment 3). The Board has placed a high priority on completing research needed to develop those provisions of the guidelines and requirements that are currently reserved. If Fiscal Year 1984 funding is restored to the 1983 levels, the Board will reevaluate this listing and other available information to determine whether or not the priorities established during Fiscal Year 1983 are still valid and which projects should be funded. (2) Given the research needs identified during 1983 and preliminary costs estimates for this research, the Board anticipated that any additional funds provided through the line item "Other Services" would be used for research and related activities. (3) The Board has not yet voted on its research priorities for Fiscal Year 1984. It has, however, prioritized research projects that are contemplated in order to permit the Board to complete a number of the reserved sections of the Minimum Guidelines and Requirements. With whatever funds are approved for research activities, the Board will proceed with the projects listed in Attachment 2 in the order designated. (4) Yes, research is a priority for incremental funding.

C. Suggestions have been made to the Committee that at least $600,000 in additional funding should be made available specifically for research. If that, in fact, were to happen, what type of research would be funded?

Mr. Reynolds: At this time, the Board has not made a decision on FY 1984 research priorities. We are providing a copy of the subjects identified as needing additional research (Attachment 1) and a listing of priorities established for FY 1983 (Attachment 2). Discussions at the March Board meeting resulted in refining these research areas and in targeting specific research topics for contracting during FY 1983 (Attachment 3).

During FY 1984, the Board will proceed with those remaining research projects listed in Attachment 3, which are needed in order to complete the reserved sections of the Minimum Guidelines and Requirements for Accessible Design.

[the information follows]

[CLERK'S NOTE.—The August 4, 1982, Federal Register referred to is not printed here but is held in the subcommittee files.]

[ATTACHMENT 1]

I. Minimum Guidelines and Requirements - Reserved sections

Page Numbers	§1190.31 New Construction
33868	(j) windows[1]
33868	(k) toilet and bathing facilities for special use situations
33868	(p) signage[1]
33868	(q)(3) telephones - signage[1,2]
	§1190.32 Additions
33869	(f) signage[1]
	§1190.33 Alterations
33869	(a)(4) signage[1]
33870	§1190.34 Leased Buildings[5]
	§1190.60 Parking and passenger loading zones
33876	.60(f) signage[1]
	§1190.70 Ramps and curb ramps
33877	.70(e)(g) warning textures (curb ramps)[1]
	§1190.80 Stairs
33879	.80(f) tactile warnings (top of stairs)[1]
	§1190.100 Elevators
33881	.100(c)(2) timing on elevator door opening
33883	.100(h)(2)(iii) size of visual indicators
33883	.100(j)(2) intercommunication system - signage[1]
	§1190.130 Doors
33884	.130(h)(2)(i) closure and opening forces for exterior hinged doors[3]
	§1190.140 Windows
33885	.140 closure and opening forces[1] hardware height

Page Numbers	§1190.150 Toilet and Bathing Facilities
33885	.150(d) signage[1]
33891	§1190.190 Tactile Warnings[1]
33892	§1190.200 Signage[1]
33893	Subpart E - Special Building or Facility Types and Elements
	residential structures recreational facilities historic structures hospitals food service facilities library stacks other

II. Additional information necessary*

Page Numbers	§1190.31 New Construction
33867	(g) platform lifts - scope[4]
33868	(o) tactile warnings[1]
	1190.40 Human Data[1]
33870 to 33873	blind and visually impaired persons children combination of impairments deaf and hearing impaired persons developmentally, neurologically, learning impaired persons dexterity impaired persons (prosthetic devices, hand anthropetrics) elderly persons lower torso mobility impaired persons (crutch, cane, walker and other mobility aid users, knee and hip impairments) upper torso mobility impaired individuals (reach limitations, amputees) short statured persons verbal/communication impaired persons
	§1190.50 Walks, Floors, Accessible Routes
33875	.50(h) Egress
33875	.50(i) Ground and floor surfaces[1]
33875	.50(i)(3) Carpeting[1]
	§1190.60 Parking and passenger loading zones
33875	.60(c)(2)(i) Exception - van parking space size
33876	.60(e) Vertical clearance for parking garages

Page Numbers	§1190.70 Ramps and curb ramps
33876	.70(e) Curb ramps (location for blind and visually impaired)(tripping-curing hazards)[1]
33878	.70(g) Exterior conditions (climatic hazards)
	§1190.100 Elevators
33881	.100(c)(1) Elevator door operation - notification time (figures 10.1, 10.2, table 10.1)
33882	.100(d)(3)(ii) Car control mounting height
33882	.100(d)(3)(v) Size type of characters for control buttons[1]
33882	.100(e) Door jamb markings (size and placement)[1]
33882	.100(f)(iv) Lobby call buttons (raised or flush)[1]
22883	.100(h)(1)(ii) Automatic verbal announcement
	§1190.110 Platform Lifts
33883	.110(b)(3) Safety requirements of platform lifts[4]
33884	**§1190.130 Doors**
	.130(h)(2)(ii) Closure and opening forces for interior hinged doors[3]
	.130(h)(2)(iii) Closure and opening forces for sliding or folding doors[3]
	§1190.150 Toilet and Bathing Facilities
	.150(f)(4) Faucets and control for 3x3 shower unit
	§1190.180 Alarms
	.150(c) Visual and other sensory alarms
	§1190.210 Telephones
	TDD's[2]

---

[1] National Center technical papers; due February 1983

[2] Research contract approved by Board; RFC expected early FY 1983

[3] Research in process by Mr. William Wood; expected late 1982

[4] Safety standard currently under consideration by ANSI A17 Committee

[5] Court decision expected

*Minimum guidelines and requirements either does not address the subject or questions have been raised as to the adequacy of the requirement.

[ATTACHMENT 2]

ATBCB

Discretionary Fund Priorities
FY 1983
2/4/83

Summary of 1/27/83 Survey

Ranking	Topic
1*	Ground and Floor Surface Treatments
1*	Signage
3	Alarms
4	Elevators
5	Hand Anthropometics
6	Doors
7	Egress
8	Housing
9	Multiple Disabilities through the Life Span
10	Transportation
11	Windows
12	Platform Lifts
13	Recreational Facilities
14	Showers
15	How to Manuals
16	Brokerage Services
17**	Training Manuals
17**	National Easter Seal Society

---

*Ground and Floor Surface Treatments and Signage ranked equally in the results of the 1/27/83 surveys; therefore, "2" was not assigned to a specific topic.

**Training Manuals and the National Easter Seal Society ranked equally in the results of the 1/27/83 survey; therefore, "18" was not assigned to a specific topic.

[ATTACHMENT 3]

Priorities Established at March 7 & 8, 1983
ATBCB Committee & BOARD MEETINGS

Priority	Research Title Tasks, Comments
1.	Ground & Floor Surfaces: Detectable Tactile Surface Treatments
2.	Signage Workshop
3.	Alarms Background [In House]
	Visual
	Audible
4.	Hand Anthropometrics Measurements
	Designs
5.	Ground & Floor Surfaces: Visual cues/ warnings
6.	Transportation DPM Study [In House]
	Lifts
7.	Systems Approach (Conn)
8.	Doors
9.	Multiple Disabilities: Background
	Human data
10.	Ground & Floor Surfaces: Roll resistance
11.	Elevators Door timing

DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JOSEPH P. WELSCH, INSPECTOR GENERAL

ACCOMPANIED BY:

JOSEPH J. GENOVESE, ASSISTANT INSPECTOR GENERAL FOR AUDITING

LAWRENCE A. CRESCE, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

GLENN W. WIENHOFF, ASSISTANT INSPECTOR GENERAL FOR POLICY, PLANNING AND RESOURCES

INTRODUCTION OF WITNESSES

Senator ANDREWS. This morning we have the Inspector General of the Department of Transportation.

Mr. Welsch, good to have you here. We can assure you that your statement will appear in the record as if read word for word. Glad to have you here today.

Mr. WELSCH. Thank you, Mr. Chairman. It's a pleasure to be here with you again this year. I would like the statement entered for the record, but I would like to briefly cover some of the highlights.

Before I do, I would like to introduce my staff that are with me this morning. On my far right, Mr. Glenn Wienhoff, Assistant Inspector General for Policy, Planning, and Resources; on my immediate right, Mr. Joseph Genovese, Assistant Inspector General for Auditing; and on my left, Mr. Larry Cresce, Assistant Inspector General for Investigations.

BUDGET REQUEST

Mr. WELSCH. We are here this morning to talk about the 1984 budget request, which is for $25.9 million and includes 439 positions. This request proposes no significant increases over previously approved levels and will continue to provide an effective level of audit and investigative support to the department.

During fiscal year 1982 measurable audit benefits of $671 million were achieved. Fines, penalties, and other investigative cost avoidance totaled $17 million. Together this equals about 29 times the amount of our 1982 obligations of $23.3 million.

New initiatives during 1982 included improved tracking of the refined audit universe; increased use of and reliance on computer support in audits and investigations; establishment of microcomputer workstations; and, reduction in our regional offices from 10 to 9 and headquarters program offices from 5 to 4.

We've established an Interdepartmental Bid Rigging Investigations Coordinating Committee (IBICC). The committee was formed in August 1982 jointly with the Antitrust Division of the Department of Justice. Mr. Helmut Furth, the Assistant Attorney General of the Antitrust Division cochairs the committee with me.

This year we will be doubling our investigative resources devoted to the prevention and detection of bid rigging. With the Chairman's permission, I would like to give you additional material on the bid rigging activities that we have been involved with. I will describe briefly the investigations and the increased efforts that we have had during the past 6 months.

EXPANSION OF BID RIGGING

What I would like to show you, Mr. Chairman, is a map of the United States. Last year after about 2 years of investigation into bid rigging activities throughout the United States, I was concerned that we may not be covering the States where the most Federal dollars are being spent.

This map represents 5 years of Federal highway funding distributed throughout the States. The vertical hash marked States are the ones that received over $1 billion. I have provided a list of States containing this information. We have 14 States with over $1 billion, representing 54 percent of the flow of funds for the Federal highway program for the 5 year period, fiscal years 1978 through 1982.

The horizontal hash marks indicate States that received between $500 million and $1 billion. There are 17 of these States. They received 30 percent of the dollars. About 85 percent of the dollars go to 31 States. The States with no lines are the States that received under $500 million.

[The information follows:]

ANTITRUST BID RIGGING INVESTIGATIONS
Office of Inspector General
For the Period 2/25/79-2/24/83

STATE/TERRITORY	FED. HIGHWAY FUNDS DIST. FY 78-82		INVESTIGATIONS				INDICTMENTS		CONVICTIONS (INDIVIDUALS)		CONVICTIONS (CORPORATIONS)	
	$(M's)	%	RIG/ATR	DIG/ATR/FBI	ATR/FBI	DATE STARTED	#	DATE	#	DATE	#	DATE
Alabama	823	2.16										
Alaska	584	1.36										
Arizona	616	1.44	X			01/21/81						
Arkansas	469	1.09	X			08/25/80						
California	2,617	6.13										
Colorado	659	1.54	X			08/04/80						
Connecticut	503	1.18	X			12/82						
Delaware	185	.43	X			01/20/82						
Florida	1,880	4.40	X			04/20/81	13	02/12/82- 02/22/83	2	08/18/82	8	03/24/82- 12/13/82
Georgia	1,457	3.41	X			07/25/80	28	07/30/80- 01/27/83	16	08/13/80- 11/12/82	11	08/13/80- 11/12/82
Hawaii	329	.76	X			09/07/82						
Idaho	265	.62										
Illinois	2,093	4.90										
Indiana	744	1.74										
Iowa	646	1.51			X	N/A	6	07/23/82- 10/15/82	3	11/30/82- 12/03/82	2	11/30/82
Kansas	586	1.37		X		09/22/80	34	04/21/81- 02/04/83	15	11/02/81- 01/10/83	14	11/02/81- 02/14/83
Kentucky	939	2.20		X		07/15/82 12/01/80	2	04/20/82				
Louisiana	914	2.14	X			08/20/80						
Maine	223	.52										
Maryland	1,419	3.32	X			01/12/82	1	06/28/82			1	08/06/82
Massachusetts	746	1.74	X			01/83						
Michigan	1,083	2.53	X			09/22/80						
Minnesota	910	2.13										
Mississippi	465	1.09	X			N/A	3	07/17/80- 02/27/81	1	06/22/81	1	06/22/81
Missouri	953	2.23		X		07/14/82						
Montana	484	1.13										
Nebraska	376	.87			X	12/03/79	29	01/14/82- 09/16/82	12	02/19/82- 07/07/82	12	02/19/82- 07/07/82
Nevada	418	.98										
New Hampshire	196	.45			X	03/29/82						
New Jersey	725	1.70	X			01/83						
New Mexico	421	.98										
New York	2,447	5.73	X			12/10/82						
North Carolina	923	2.16		X		N/A	67	06/04/80- 02/24/82	39	06/04/80- 03/24/82	36	06/04/80- 04/08/82
North Dakota	279	.65	X			12/82						
Ohio	1,303	3.05	X			07/25/80						
Oklahoma	432	1.01		X		08/25/80	2	07/07/82	1	11/16/82	1	11/16/82
Oregon	752	1.76	X			10/08/82						
Pennsylvania	1,910	4.47	X			11/25/81	10	10/08/82- 02/17/83	1	10/12/82		
Rhode Island	211	.49	X			01/83						
South Carolina	486	1.14		X		N/A	16	11/25/80- 06/25/82	5	05/21/81- 04/27/82	9	11/25/81- 06/28/82
South Dakota	254	.59	X			11/01/82						
Tennessee	1,045	2.45		X		N/A	82	12/14/79- 04/22/81	46	03/07/80- 07/24/81	38	03/12/80- 09/11/81
Texas	2,175	5.07		X		07/25/80	40	11/20/81- 09/15/82	8	10/14/82- 02/17/83	16	01/25/82- 02/17/83
Utah	490	1.14										
Vermont	190	.44			X	N/A						
Virginia	1,187	2.78		X		N/A	58	02/20/80- 01/20/83	28	04/26/82- 01/07/83	21	04/06/80- 06/24/82
Washington	1,455	3.41	X			11/01/82						
West Virginia	1,056	2.70	X			10/01/82						
Wisconsin	709	1.66										
Wyoming	271	.63										
American Samoa	4	----										
District of Columbia	112	.26										
Guam	12	.03										
North Mariana Island	3	----										
Puerto Rico	135	.31										
Virgin Islands	9	.02										
TOTAL	$42,682	100%	23	9	4		301		175		151	

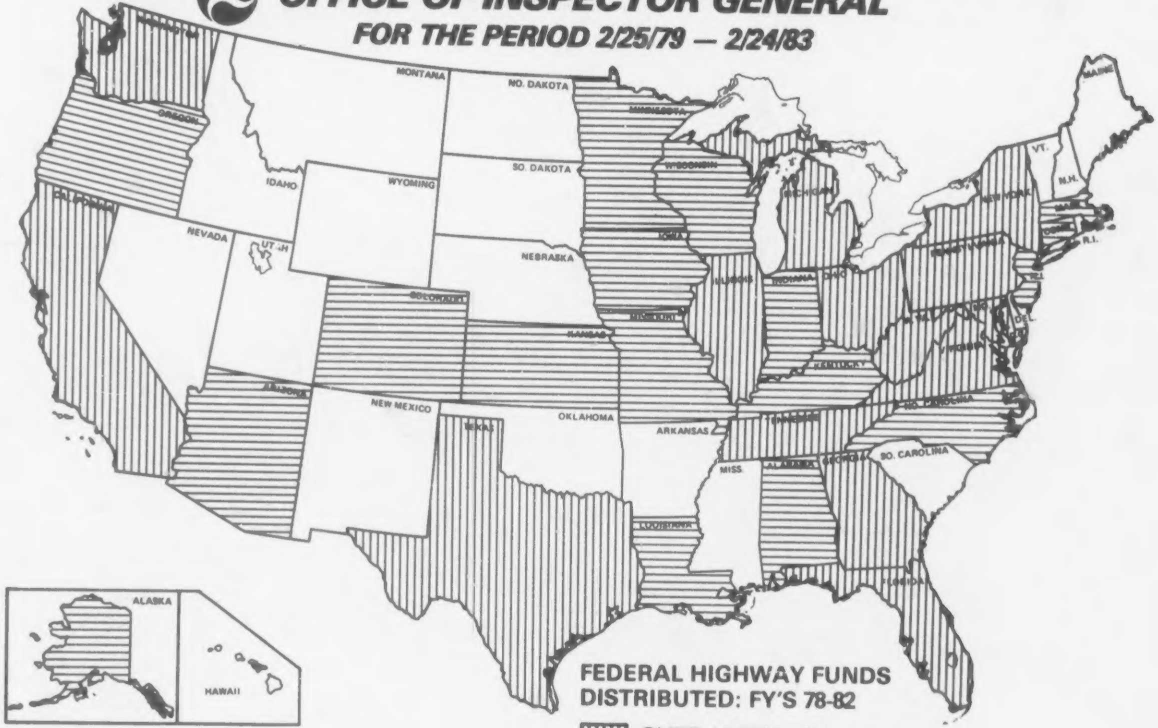
N/A - Not Available

	No. of States/Territories	Federal Highway Funds Distributed		Investigations		
		$	%	States	Funds $	Funds %
Over $1 Billion	14	23,139	54.19	12	18,417	58.93
$500 Million - $1 Billion	17	12,833	30.06	12	8,962	28.69
Under $500 Million	25	6,719	15.75	12	3,873	12.39
TOTAL	56	$42,682	100%	36	$31,252	100%

ANTITRUST BIDRIGGING INVESTIGATIONS

OFFICE OF INSPECTOR GENERAL

FOR THE PERIOD 2/25/79 — 2/24/83


WASHINGTON
OREGON
CALIFORNIA
IDAHO
NEVADA
MONTANA
WYOMING
UTAH
ARIZONA
COLORADO
NEW MEXICO
NO. DAKOTA
SO. DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
ILLINOIS
MICHIGAN
INDIANA
OHIO
KENTUCKY
TENNESSEE
MISS.
ALABAMA
GEORGIA
FLORIDA
SO. CAROLINA
NO. CAROLINA
VIRGINIA
PENNSYLVANIA
NEW YORK
VT.
N.H.
MAINE
R.I.
DEL.
ALASKA
HAWAII

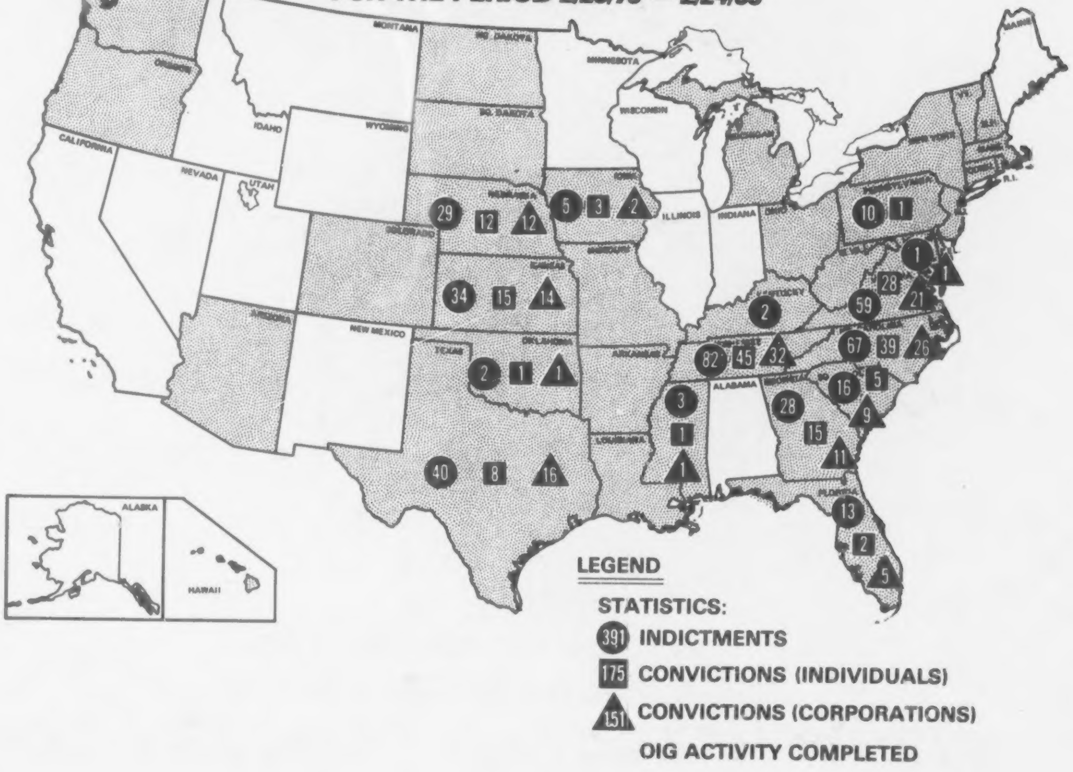
FEDERAL HIGHWAY FUNDS
DISTRIBUTED: FY'S 78-82

▥ OVER $1 BILLION
▤ $500 MILLION — $1 BILLION
☐ UNDER $500 MILLION

ANTITRUST BIDRIGGING INVESTIGATIONS

OFFICE OF INSPECTOR GENERAL

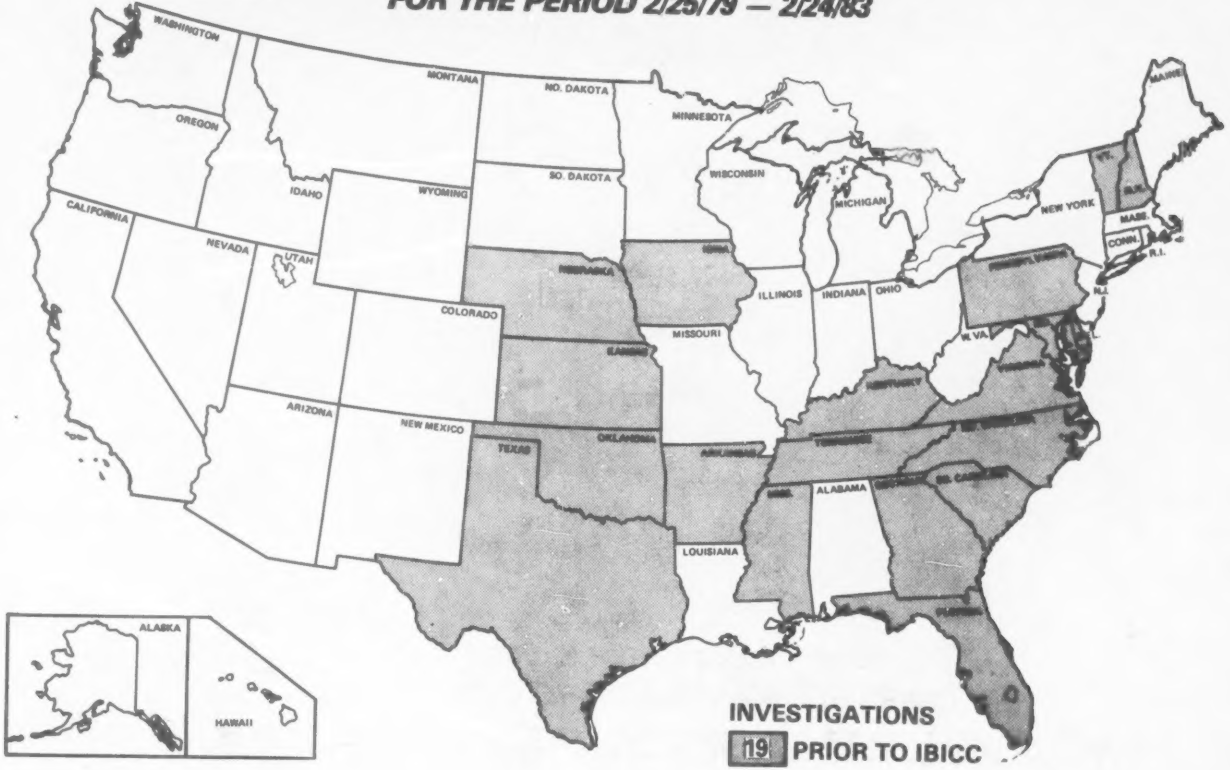
FOR THE PERIOD 2/25/79 — 2/24/83


WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
UTAH
MONTANA
WYOMING
COLORADO
ARIZONA
NEW MEXICO
NO. DAKOTA
SO. DAKOTA
NEBRASKA
29
12
12
IOWA
5
3
2
KANSAS
34
15
14
OKLAHOMA
2
1
1
TEXAS
40
8
16
MINNESOTA
WISCONSIN
MISSOURI
ARKANSAS
LOUISIANA
ILLINOIS
INDIANA
OHIO
MICHIGAN
KENTUCKY
2
TENNESSEE
82
45
32
MISSISSIPPI
3
1
1
ALABAMA
GEORGIA
28
15
11
FLORIDA
13
2
5
16
5
9
67
39
26
59
28
21
1
1
1
PENNSYLVANIA
10
1
NEW YORK
VT.
N.H.
R.I.
MAINE
ALASKA
HAWAII
LEGEND
STATISTICS:
391 INDICTMENTS
175 CONVICTIONS (INDIVIDUALS)
151 CONVICTIONS (CORPORATIONS)
OIG ACTIVITY COMPLETED

ANTITRUST BIDRIGGING INVESTIGATIONS

OFFICE OF INSPECTOR GENERAL

FOR THE PERIOD 2/25/79 — 2/24/83


WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
COLORADO
ARIZONA
NEW MEXICO
NO. DAKOTA
SO. DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
ILLINOIS
MICHIGAN
INDIANA
OHIO
KENTUCKY
TENNESSEE
MISS.
ALABAMA
GEORGIA
FLORIDA
SO. CAROLINA
NO. CAROLINA
VIRGINIA
W. VA.
PENNSYLVANIA
NEW YORK
N.J.
VT.
N.H.
MAINE
MASS.
CONN.
R.I.
ALASKA
HAWAII
INVESTIGATIONS
19 PRIOR TO IBICC

BID RIGGING INVESTIGATIONS

Mr. WELSCH. Beginning in 1979, through the summer of last year, we were involved in investigations of bid rigging activities in about 19 States. Our bid rigging investigations started in Virginia at the Byrd Airport. From there it cascaded through the bordering States due to the contractors' activities.

It was not an even flow of investigative activity. It was more or less through the leads obtained and the convictions obtained of contractors starting in Virginia and then working south.

We did an analysis to see whether we were covering the States where we had the most dollars. We were not covering them as I felt we should. After discussions with the Secretary and the Justice Department, we decided to establish the joint IBICC with the Justice Department.

As a result, in August we established and initiated investigations into 17 additional States. At the current time, we're in 36 States. In the last 6 months we have increased our activity dramatically.

To give you an indication of the results of our activities so far; from 1979 through February 1983 we have had 391 indictments for bid rigging activities. The indictments are shown in the circles in the States involved. We have had 175 convictions of individuals and 151 convictions of contractors. You can see them individually by State on the list provided. The fines total $46 million. We have had very successful investigations and prosecutions working with the Antitrust Division.

For your information, there are 4 States where the FBI is working directly with the Antitrust Division, nine where we are working jointly with the FBI, and the 23 where my investigators are working directly with the Antitrust Division.

As you can see, we are getting much better national coverage. We have developed computer analysis techniques by putting a bid data base on the computers and sorting the information to identify target companies. This analysis used to take 6 months to 1 year. Now we can do it in 2 to 3 weeks.

Senator ANDREWS. How do you target companies; how do you target States?

Mr. WELSCH. We have done this through various techniques; dollars is one of them.

Senator ANDREWS. You indicated that in the beginning, dollars. But you know you can have some pretty outstanding violations of rules in States that don't have many.

Mr. WELSCH. We target States based on several criteria, dollars being one of them. We get indications from an analysis of the bid tabs in all States whether the bids received are higher or lower by a certain percentage, than the State engineering estimate. Another indication is the number of bids that come in or the number that are about the same amount.

If one contractor comes in low and everyone else is a certain amount above it that is one indication. We have other criteria we established to develop patterns. Once the pattern is developed, then we track within the State.

We also develop investigations based upon leads that are provided by contractors themselves. We have recently announced a hotline for reporting incidences of bid rigging. This is included in every State bidding packet. I sent a letter to each of the State Departments of Transportation asking them to include the press release, which Secretary Lewis signed, with each bid proposal package.

PROVIDING INCENTIVES

Senator ANDREWS. Do you provide incentives for those individuals who in fact inform you similar to the IRS incentives?

Mr. WELSCH. No, sir, not to the public sector, but in the government sector we do have a reward program. It applies only to government employees.

As far as contractors or outside informants, we do not have a reward program at this time.

That's an overview of our investigative activity on bid rigging. We are getting a lot of cooperation and support for our staff from the States.

Some States have offered the investigative help of the attorney general's staff. Certainly, the Governors have recognized the benefits and have sent me letters indicating their cooperation and support. Also States are providing data processing, recordkeeping, clerical analysis, and other kinds of support.

Senator ANDREWS. And in every bidding package, of course, you point out to those individuals who are about to participate in bidding procedures that this kind of investigation is going on?

Mr. WELSCH. Yes, Mr. Chairman. We have done some analysis of the impact of earlier convictions. The analysis indicates that bids received in relation to State estimates have decreased about 10 percent since the first publicity on convictions. Most of these convictions include jail terms and sentences in addition to the fines.

Senator ANDREWS. I'm sure you are passing out the information to the other States, that's the ultimate result of what happens.

Mr. WELSCH. Yes, Mr. Chairman. It's well known in the trade. The trade publications have publicized the contractors' names who have served hard time. The word has gotten around.

We have noticed a 10-percent decrease throughout the country in the proposals on bid packages. A decrease of 10 percent on a $10 billion program is $1 billion a year. It's a substantial benefit to the taxpayer because they receive more highways for the dollars spent.

Unless you have some specific question on the map, we'll go to your questions, Mr. Chairman.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Welsch. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF JOSEPH P. WELSCH

GENERAL STATEMENT

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss the Office of Inspector General's 1984 budget request. With me from the Office of Inspector General (OIG) are Mr. Joseph J. Genovese, Assistant Inspector General for Auditing; Mr. Lawrence A. Cresce, Assistant Inspector General for Investigtions; and Mr. Glenn W. Wienhoff, Assistant Inspector General for Policy, Planning, and Resources.

Our 1984 budget request is for $25.9 million and includes 439 positions. This request proposes no significant increases over previously approved levels, and will continue to provide an effective level of audit and investigative support to the Department.

ACCOMPLISHMENTS

During FY 1982, we issued 2,041 audit reports, containing recommendations to improve the economy, efficiency, and effectiveness of Department Of Transportation (DOT) programs and operations with a potential impact of $1 billion and questioned $152.7 million of costs. Audit findings were resolved in 739 reports during this period. The resolution of these reports resulted in measurable benefits of $671 million. During the same period, fines, penalties, and other investigative cost avoidance totaled $17 million. Taken together the financial benefits equal more than 29 times the amount of our FY 1982 obligations of $23.3 million. I believe audit and investigative savings of this magnitude will be achieved for FY 1983 and 1984.

CURRENT OPERATIONS

We have instituted several new initiatives during FY 1982 to improve the operations of our office. These new initiatives include:

Improved tracking of audit accomplishments using a refined audit universe. The universe identifies all auditable areas within the Department by administration. Audits completed are tracked against this universe. The system identifies areas which have or have not received audit coverage and enables us to program our resources more effectively.

We have significantly increased the use of and reliance on computer support in audits and investigations. In one area, we are using a computerized bid and market analysis system to help identify areas where there are indications of bid rigging. We are improving this capability and are using both DOT and Justice Department computers.

Microcomputer workstations have been installed. This has increased the productivity of our audit, investigative, and administrative staffs. The workstations enable users to schedule, sample, project, and quickly analyze large volumes of data using electronic spread sheet techniques.

Scheduling more program audits. Program audits are performed where there is an indication that a problem exists in a program and there is a need to evaluate it on a regular DOT-Wide basis. These audits are performed concurrently by our Washington program office and our Regional offices.

Responding to changing workload, we have streamlined our organization by reducing Regional offices from 10 to 9 and by reducing the Headquarters program offices from 5 to 4.

In order to better coordinate our antitrust investigations of contract bid rigging, an Interdepartmental Bid Rigging Investigations Coordinating Committee was formed at our initiation on August 31, 1982. This is a joint effort between DOT and the Antitrust Division of the Department of Justice which will focus on planning, targeting areas to be probed, devising new investigative techniques, and coordinating resources.

The Committee has developed procedures to improve detection and prevention of bid rigging. In addition a jointly prepared paper describing these problems will be provided to Federal, State, and Local officials. Recommendations for improvements in controls include:

a. Improvements in data collection, monitoring, retention, and data analysis.
b. Increased computerization of raw data for ease of analysis.
c. Recommendations for improvement in the conduct and control of engineering estimates.

FUTURE OPERATIONS

One of our objectives for the coming year is to more than double the investigative resources we devote to the prevention and detection of bid rigging activity. We are already well on our way to realizing this goal. As a result of our efforts in conjunction with the Joint Committee, we have expanded our investigative coverage into 17 additional states. Combined with efforts ongoing prior to formation of the committee, investigative coverage has been expanded to 36 States. Grand juries have been convened in 20 of these States. As of February 24, 1983, there has been a total of 391 indictments and 326 convictions of individuals and corporations, and $41.6 million in fines and sentences totaling 42 years have been imposed. We have targeted many new States for investigative coverage based on several screening criteria, including the amount of DOT funds involved. I anticipate additional indictments in several of these States within the next 4 to 6 months. We have also initiated inquiries in the railroad and mass transit programs in addition to our efforts in airport construction projects.

I believe our efforts in this area are important due to the recently enacted Surface Transportation Assistance (STA) Act of 1982. I feel that controls are in place and being monitored to insure that the taxpayer receives the maximum for each dollar spent.

We widely disseminated our hotline numbers in order to encourage reporting of information on construction contract bid rigging from Federal and State officials, contractors, suppliers or anyone with knowledge of such activities.

In addition, analysis of contractor's bidding patterns before and after our investigative efforts has shown a strong correlation between the success of OIG activity and the reduction of bid prices compared to engineering estimates.

We intend to continue to aggressively pursue our efforts in this area.

SUMMARY

In summary, I believe we have made substantial progress in fulfilling our responsibilties to identify fraud, waste, and abuse in departmentally financed programs and activities.

Our future emphasis will be placed on obtaining increased productivity from existing resources. We are constantly assessing and searching for new techniques which will increase our capabilities. We are confident that we will be responsive to the needs of the Department and the mandates of the Inspector General Act.

This concludes my statement, I will be glad to answer any questions.

BID DECLINE

Senator ANDREWS. During the same period of time, of course, we had a slowdown in the economy, to put it mildly.

How much of this 10 percent lowering in cost came because of the slowdown in the economy where bids went down as almost everything, and how much of it through your investigative program; have you made any breakout between the two?

Mr. WELSCH. We've attempted to identify the differences in the proposal because of the economic decline. Certainly some is attributed to the decline, because contractors without as much work are bidding more competitively in order to keep their work forces employed.

We believe that some portion of the decline was due to the publicity on bid rigging. We did see an increase in the number of bidders. The more bidders the more competitive the price is. So, there is a decrease.

I don't think there is any precise way to track or attribute the decrease to bid rigging convictions versus the decline in the economy. We do feel very strongly that some portion of it is attributable to the investigations and publicity.

Senator ANDREWS. Incidently, Mr. Inspector General, will you also provide camera ready copies of these maps that you just showed the committee for the record. We will insert them at that point in the record when you were discussing these maps.

Mr. WELSCH. Yes, Mr. Chairman.

Senator ANDREWS. Also, could you explain briefly and in layman's terms what particular antitrust practices your investigations have exposed so far; is it just collusion or are there other things that you have dug up?

Mr. WELSCH. It is basically collusion, Mr. Chairman. We have not seen any organized crime schemes. It's primarily collusion of local contractors. They get together either by telephone or in meetings before bid openings and compare their bid estimates and decide who is going to be the winning bidder. Then the others adjust their bid packages accordingly.

It seems to be local collusion and not an organized, nationwide activity.

ACTION ON HOTLINE COMPLAINTS

Senator ANDREWS. Your two most recent semiannual reports both show that no action was taken on about 72 percent of your hotline complaints. That seems like a relatively high rate of no action decisions for that important function where you are talking about getting information in from the outside.

What criteria do you use to decide when some kind of response is required on these complaints, and does the 72-percent figure represent the proportion of invalid complaints; do you have a lot of characters out there calling in on your so-called hotline giving you erroneous information?

Mr. WELSCH. Mr. Chairman, the last two semiannual reports covered hotline complaints received primarily from employees of the Department of Transportation. We did have 72 percent which we did not pursue either on an audit, investigative, or referral basis to the administration.

Senator ANDREWS. That is what bothers us. Because the calls are coming from employees of the Department. You would almost think that when you arbitrarily toss out with no investigation whatsoever, three-quarters of the calls that come in from professionals in your own——

Mr. WELSCH. Mr. Chairman, we feel that our rate of no followup is lower than other agencies. I've seen some agencies with a rate of 80 to 85 percent.

Senator ANDREWS. I'm wondering that with this rate of throwout whether the hotline is more for show than for go.

Mr. WELSCH. No, Mr. Chairman. We do get some very good leads from the hotline.

Last year we had 856 contacts. For 617, no action was warranted. Even though we have had no action on 617, it does provide an outlet for people to make known a complaint, even a minor complaint, not requiring followup action.

We get all types of complaints, such as the employee was 15 minutes late, or the person was 5 minutes late coming back from lunch, to major abuses of time and attendance, sick leave, and annual leave.

We do get a high percentage of our calls on personnel, personnel related, and travel matters. It does provide an outlet and a benefit.

We did refer 23 of the complaints for audit. One which questioned the use of UMTA-provided buses for unauthorized service resulted in a $3 million benefit. That one complaint alone would certainly more than justify the hotline.

Senator ANDREWS. Sure, but it seems that with that type of a reject rate as though a person that takes those phoned in calls has to visualize the culprit almost pleading guilty before a judge before they will move along on it. The other ones take a good deal of investigation and you just file it in the circular file and forget about it.

Mr. WELSCH. We do maintain a record of each complaint and we have trained agents that handle the hotlines. They are experienced in sorting out what we consider a frivolous allegation versus a serious allegation.

We do have techniques of asking the caller if they would be willing to provide some evidentiary material to support the allegation or provide a name or a location where we could do some verification. Sometimes the individual will hang up or not pursue it.

You can tell from those kinds of conversations as to whether it's a serious allegation or whether it's a frivolous claim by someone just wanting to call in on the hotline.

We did refer 52 for investigations. We've referred 117 to the administrations for action and reporting back to us. And 32 were referred for information only. These would be the minor abuse of sick leave, annual leave, travel, or some allegation similar to that.

INEFFECTIVE PROGRAMS

Senator ANDREWS. Your budget justification in another area states, and I quote:

> You will assist the modal administrations in identifying programs of relatively low priority which are not cost effective and could be eliminated or modified with minimal impact.

That is great phraseology. It sounds almost as though you are arrogating unto yourself the position of eliminating programs that Congress have mandated and a host of other programs within the Department of Transportation.

Does this mean that you feel that your shop has more expertise than the Secretary himself and you are the one that should decide what programs should be dropped?

Mr. WELSCH. No; on the contrary.

Senator ANDREWS. Or even perish the thought that you have more expertise than the Congress and you are going to negate the programs that are put in by the Congress over the years.

Mr. WELSCH. No; on the contrary, Mr. Chairman.

Senator ANDREWS. Intriguing language, though, you have to admit.

Mr. WELSCH. Yes; I can appreciate that, if it's taken out of context.

Senator ANDREWS. You have a great phrase writer down there.

Mr. WELSCH. The purpose is to assist the administrations, the Congress, and the department in evaluating programs that may not be fulfilling the objectives intended either by the administration or the Congress.

Through audit evaluation and sampling techniques we hope to provide information, not only to the administration and the department but to the Congress, to better develop guidance and/or change existing programs.

An example of a program we have reviewed and made recommendations on was the National Highway Safety Administration's (NHTSA) uniform tire quality grading system, which is a grading system involving three numbers, or letters, on a tire. It relates to tread wear, the heat effect on the tire and, also, the stopping distance of the tire. It costs the taxpayers and the Government about $15 million annually.

We did a survey to see whether any of the people buying tires actually understood and/or used the tread wear system and the grading system in purchasing tires.

We found very little use of the system by people buying tires. In many cases the tire dealers themselves were unfamiliar with and did not refer to the grading system.

We suggested that this particular area be looked at and the rule suspended until they could devise an evaluation program. We recommended that they see if it was worthwhile for the taxpayers to have that much money put into a tread wear and a tire grading system which was not being utilized.

Senator ANDREWS. Did you take a look at whether or not the fault was with the information itself or the dissemination of the information?

I remember on the agriculture side of things, we have experiment stations and they do a whale of a lot of work. And if you bury that work in those dusty volumes so that the farmers themselves can't get the benefit of it, then the work isn't worth anything. And that's why we had the extension service put together years and years ago, to extend to the farmers themselves the information that comes out.

Now, what kind of an extension service did you have to pass on the results of this tread wear test and/or did the Department of Transportation give any thought to disseminating this kind of information; if they did, what were the results there?

Mr. WELSCH. We did evaluate both sides. We evaluated the manufacturers implementation of the system and also the publicity given to the system itself. There were problems on both sides of the coin.

Many manufacturers graded only to meet the minimum requirements and did not grade their tires to the higher level actually achievable so that they wouldn't be accused of not meeting the standards. As a result, the grade level on the tire was substantially less than the tread would wear. It was not meaningful for the customer. The tire company felt that this was a way of protecting themselves.

Other tire manufacturers graded their tires very close to the limits of the tread wear the tire would have. In some cases they used the grade as a selling technique saying that their tires were graded much higher than other companies' tires.

It was less than meaningful for the tire manufacturers and the customers. Perhaps there was not enough publicity given. Although it is very difficult for the customer when you use such a complicated evaluation program.

RELATIONSHIP WITH THE SECRETARY

Senator ANDREWS. The Inspector General Act, it's Public Law 95-452, requires you to report to the head of the department or the next lowest level, but the Inspector General can't be prevented or prohibited from carrying out or completing any audit or investigation.

Section 6 of the act gives the Office of Inspector General access to all records and information which relate to programs and operations for which the OIG is responsible.

Do you believe that the Secretary has sufficiently supported your office performing audits and in disagreement with the administration's and, if so, how does the Secretary convey this message to department personnel?

Mr. WELSCH. Mr. Chairman, as you know, we have a new Secretary, Mrs. Dole. She has indicated to me she will continue the kind of support that we've had in the past. I will continue my attendence at senior staff meetings, briefing the senior staff on any key Inspector General problems. We have worked very closely with Mrs. Dole on the investigative efforts in the department. I brief her on significant matters.

Senator ANDREWS. Do you meet with her on a regular basis?

Mr. WELSCH. I meet with her on a regular basis.

Senator ANDREWS. You rarely met with the Secretary in the past on a regular basis, I take it.

Mr. WELSCH. I met regularly with the Secretary in the past.

Senator ANDREWS. And you feel that you are able to approach the Secretary at any time with whatever problems that come up?

Mr. WELSCH. Yes, Mr. Chairman.

Senator ANDREWS. I assume then that the Secretary or the Secretary's office receives copies of most audit reports.

Mr. WELSCH. Only those which I bring to her attention. The routine audit reports are sent to the administrations involved. We issue about 2,000 reports a year. I highlight those that are significant and warrant her attention, sending them to her with a briefing summary.

Senator ANDREWS. What kind of criteria or under what circumstances do you elevate the disputes with administrations over audit findings to the Office of the Secretary?

Mr. WELSCH. Findings that have departmentwide significance because of policy implications, legislative implications, or large program dollars. I would also elevate any reports we felt would result in a major difference of opinion as to the findings or recommendations.

If I am not able to convince the administration involved that this is a problem that deserves their attention and corrective action, I do bring it to the Secretary's attention for resolution. We bring up major issues and problems which cannot be settled at the administration level.

Senator ANDREWS. Would it be a correct statement to say that the Secretary has had a hands-off policy in your dealings with administrations?

Mr. WELSCH. As they relate to the Inspector General activity, yes, Mr. Chairman.

Senator ANDREWS. So then you would say that the administrations have been openminded and objective in acting on your audit reports?

Mr. WELSCH. In the Department of Transportation without doubt that is true.

Senator ANDREWS. Well, since you are the guy who has to be meaner than a junkyard dog, it's refreshing to know that things are moving along well.

Much of your audit work in your field offices has been the result of administration requests for grant audits.

Does this inhibit the regional offices' freedom to audit what it believes to be significant potential audit areas?

Mr. WELSCH. No; we have a workload planning procedure where we balance the requests of the administrations with our judgment as to priorities for developing audit requirements.

We do try to be as responsive as possible to the administrations because they certainly know where the problems are. We want to work with them to assist them in not only identifying the problem if there is one but making suggestions for improvements.

We do have more than 50 percent of our time in the field available for each of the regional managers to schedule based on their own evaluations and their own priority settings within those regions.

Senator ANDREWS. Thank you very much, Mr. Inspector General.

I have some further questions that I'll submit for the record. Senator Chiles has some questions for the record. Other members of the subcommittee may well have questions for the record to submit. We appreciate very much your coming.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

BID RIGGING

Senator Andrews: Bid rigging investigations have so far dealt primarily with highway construction projects, presumably because of the relative high cost of highway projects. What, if any, investigations have been completed on bid rigging in the other modal agencies? (You may provide details for the record.)

Response: In joint effort with the DOJ Antitrust Division, we have initiated inquiries into railroad and mass transit programs in addition to our continuing efforts in airport construction projects.

Senator Andrews: What impact has the slow economy had on the frequency of bid rigging? Is it more or less prevalent in hard times?

Response: Bid rigging is normally more prevalent during strong economic times, when construction programs are active and there is plenty of work to go around. This abundance of work allows contractors to divide the work to their mutual advantage through collusion. During weak economic periods work is scarce, and contractors must actively compete for jobs in order to survive. Both contractor testimony and analyses support this conclusion.

Senator Andrews: For the record, please provide an update of the total number of judicial remedies (indictments, convictions, fines, etc.) that have come from your efforts.

Response: As of February 22, 1983, those prosecutions resulting from investigations in which we were directly involved yielded the following:

Indictments	188
Convictions	156
Fines	$18.5 Million

HOTLINE COMPLAINTS

Senator Andrews: Does the OIG have any studies or data that explain the correlation, if any, between the use of the Hotline and the percentage of Hotline calls that receive some OIG response?

Response: We have not developed any formal data or analyses on such a correlation. Prior to March 1982, we included in our semiannual reports only those calls which we had acted upon; i.e., referrals to our audit or investigations staffs or to the appropriate operating element for action. We did not report those calls/contacts which were vague, not within our jurisdiction, expressions of opinion rather than complaints, repeat calls, requests for routine information, concern with local matters, or complaints/comments on the Government or politics in general. In the last two semiannual reports we have reported all incoming contacts whether we took action or not. We also include under "no action taken" those complaints which we quickly resolved or referred by telephone.

Senator Andrews: Perhaps, too, you can explain to us what is the category called "other" regarding disposition of complaints. (Record.)

Response: The category "other" refers to those complaints which were forwarded to other Executive departments or agencies, as they were not within the purview of the DOT/OIG. A few examples of such referrals are those to the Merit Systems Protection Board, Office of the Special Counsel, Department of Defense, and Railroad Retirement Board.

REDUCTION IN REGULATION

Senator Andrews: One of your stated objectives is to identify unneeded regulations, rules, legislation, and areas where changes are needed. Can you give us a summary of the kinds of items that you have identified that fit these categories?

Response: As a part of each internal audit, we review applicable laws, regulations, and rules for adequacy and include recommendations in audit reports when changes are needed. During Fiscal Year 1982, we issued at least 10 audit reports that contained recommendations relating to needed changes in laws, regulations, or rules. In one report on the National Highway Traffic Safety Administration, we recommended that the Uniform Traffic Quality Control Standards Program be suspended until it could be determined if the program was technically feasible and cost effective. Recommendations in the other nine reports required changes in regulations to reduce unnecessary Government costs, improve internal controls over programs, or to obtain a more effective use of funds. For the 5-month period ended February 28, 1983, we issued at least seven audit reports containing recommendations to revise legislation, regulations, or rules. These recommendations were made to improve the efficiency, economy, or effectiveness of DOT programs. As an example, in our audit of the Urban Mass Transportation Administration's (UMTA) bus stockpiling program, we recommended that UMTA complete a national bus stockpiling policy to correct problems related to excess stockpiling, inadequate bus maintenance, and lack of drivers.

Senator Andrews: In this vein, what, if any, recommendations have you made to change the travel regulations now in DOT? How can you make it more equitable for all employees while being sure to keep travelers honest through the use of clear, concise, and fair travel regulations?

Response: We have not made recommendations for changes in travel regulations as a result of our audits. We have found that overpayments of travel claims stem primarily from inadequate supervisory review of claims and incorrect interpretation of the travel regulations.

Senator Andrews: Have the Modal Administrations given your office complete access to their records and information?

Response: Yes. There has been no reported instance of refusal to grant access to Administration's records.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

Senator Andrews: Based on your testimony last year (page 334), the DOT/OIG has two special projects for the President's Council on Integrity and Efficiency: Contract Change Orders on Construction Projects, and Federally Funded Governmentwide audit projects planned by the Council. Please explain the course of your activities on these projects to date.

Response: The course of activity on the President's Council of Integrity and Efficiency (Council) Projects on Construction Contract Change Orders and Federally Funded Construction Projects is as follows:

Governmentwide Audit of Construction Contract Change Orders.

Acting as the lead agency in a project on construction contract change orders, this office issued a Governmentwide audit report to the Chairman and to the members of the Council. The report summarized the internal control problems reported in 21 individual agency reports and contained recommendations to improve Governmentwide processing of change orders.

The Governmentwide report contained recommendations to the Office of Management and Budget to correct the Governmentwide problems found. In response to the report, the Office of Federal Procurement Policy (OFPP) intends to issue guidance to Government procurement offices on the processing of construction contract change orders. This guidance will be designed to help procurement offices process construction contract change orders in such ways that the problems depicted in the audit report can be reduced or avoided.

Federally Funded Construction.

For this Council project an audit program entitled Federally Funded Construction was prepared. It was prepared in coordination with the audit staffs of the Council members at the Departments of Defense and Energy, the General Services and Veterans Administrations, and the Environmental Protection Agency. The program is intended as a guide for any Federal

Government agency interested in auditing the construction contract award process. Currently, the Departments of Defense, Energy, and Transportation, and the General Services Administration are using the program to perform audits of selected aspects of the construction contract award process.

Senator Andrews: How does your office and the other Executive Branch IG offices exchange information?

Response: We exchange information with other IGs in many ways, both formally and informally. Formally, we attend regularly scheduled and special meetings of the President's Council on Integrity and Efficiency and assigned committees where matters of both general and specific interest are discussed and data exchanged. We routinely exchange our semiannual reports. We have worked together on joint audits and investigations and other projects. Informally, we have exchanged information and documentation through meetings of professional associations, training courses, and conferences. There is also very frequent liaison at all levels on routine matters.

Senator Andrews: Last year (Page 326), Mr. Welsch said the Council is working to develop techniques for informing the public about the work being done by Inspectors General. What progress has been made with this public relations program?

Response: The President's Council on Integrity and Efficiency prepares a summary of Inspectors General (IG) accomplishments every 6 months to highlight the major activities of the IGs. The significant results are reported to the public in the form of various press releases issued by the Office of Management and Budget. In addition, the media and public have, upon request, access to our individual Semiannual Reports to the Congress.

I believe that as more reports are issued, and the public becomes better educated about the scope of our daily operations, the public's perception of the type of fraud, waste, and abuse in the Federal Government and the basic causes for such activity will change. As I noted in my Semiannual Report to the Congress for the period ending March 31, 1982, any reader should not assume from this single report that the significance of findings and recommendations described are representative of the overall condition of the Department's programs and operations. Many of our findings pertain to systems and control weaknesses--not to dishonest or corrupt Federal employees--and when corrected will help prevent fraud, waste, or abuse.

AUDIT REQUIREMENTS PER OMB CIRCULAR A-102

Senator Andrews: Attachment P of OMB Circular A-102 requires recipients of Federal assistance (state/local governments and Indian Tribes) to have their grant funded programs audited by independent audit firms. The intent is apparently that audits be made organizationwide rather than on a grant-by-grant basis. What percentage of DOT related grants to the recipients are being audited this way?

Response: An exact percentage of the number of DOT grantees who have obtained A-102-P audits cannot be determined because of the fluctuation of the number of grantees from year-to-year. The OIG has processed 323 A-102-P reports. The DOT presently provides funds to over 1,700 grantees.

Senator Andrews: Since you are required to accept these audits, how often do you find them insufficient and in need of supplementary work by your office?

Response: In conjunction with our audit oversight, we have found that the audit reports occasionally did not meet A-102-P requirements. The OIG works with the program officials, grantees, and grantees' auditor to obtain needed changes.

WORKLOAD FROM STAA

Senator Andrews: Based on your own budget justification, workload reduced in FY 1982 (Page SE-9) and no substantial increases were projected for FY 1983 or 1984 (SE-12) due to cutbacks in other Departmental activities. Do you foresee additional workload for your organization resulting from passage of the Surface Transportation Assistance Act (P.L. 97-424) of 1982?

Response: First, I would like to clarify statements made on pages SE-9 and 12 of our Budget estimates to which you refer:

> The OIG continuously strives to geographically distribute audit personnel in proximity to Departmental workload. It is simply more efficient to have our auditors located in close proximity to where the audit activity exists.
>
> In response to cutbacks in Departmental programs in Region VIII and reduced funding in the FRA, we realigned our manpower resources in FY 82 in relation to Departmental workload.
>
> Viewing the Departmental operations organizationwide, it would be somewhat misleading to suggest that Departmental programs in total are being reduced. Although this is the case in some programs, we expect additional Departmental initiatives to offset these reductions, thereby maintaining a rather stable workload from an audit prospective in FY 83 and FY 84.

The Surface Transportation Assistance Act of 1982 will place additional demands on the OIG. We anticipate increased workload in programs administered by the Federal Highway Administration such as interstate repair and construction, bridge replacement and rehabilitation, highway safety, etc. We will need to provide management with assurance that controls are in place and adequate because sharp increases in outlays by FAA, FHWA, and UMTA will increase the vulnerability to fraud, waste, and abuse.

DOT OIG'S FRAUD PREVENTION EFFORTS

Senator Andrews: We are told that, in the past, you have spent little effort on fraud prevention because much of your resources were assigned to investigating fraud allegations. It has been suggested that your fraud prevention efforts have not met the needs of DOT or the high expectations of the Congress. Thus, in early Fiscal Year 1982, the OIG initiated a pilot fraud prevention and detection survey of a transit authority's contract claims and settlement process to determine if established procedures are being followed, controls are adequate, and/or if any weaknesses are being exploited. Although this effort proved successful, you were slow in performing additional surveys--two surveys were almost completed by the end of the fiscal year, and one additional survey had been started. Have you been satisfied with your fraud prevention efforts over the past 3 years? If not, what steps are you taking to increase your effort in this vital area?

Response: We believe our fraud prevention efforts have met the needs of the Department and Congress. In early Fiscal Year 1982, we developed a unique methodology and initiated our first fraud prevention and detection survey. We have now completed three surveys and are quite satisfied with the results. These surveys are designed to obtain maximum results with a minimum investment of time and resources. Details are presented below:

a. The following Fraud Prevention and Detection Surveys were completed during Fiscal Year 1982:

- ° Washington Metropolitan Area Transit Authority Construction Contract Modification, Claims, and Settlement Procedures (WMATA)
- ° Amtrak Managed Diesel Fuel Sites (Amtrak)
- ° Department of Transportation Commercial ADP Timesharing Activity (ADP)

b. The average amount of time allocated for these surveys is approximately 120 elapsed days.

c. The staff involved varies, but usually consists of two auditors and two investigators, and, in the case of the ADP survey, a computer specialist.

d. The corrective actions recommended as a result of each survey were as follows:

1. (WMATA) In order to preclude continued exposure to the vulnerabilities identified in our review, we recommended that WMATA:

   ° Fully investigate any violations and strictly enforce all regulations regarding the acceptance of gratuities by its employees or representatives.

   ° Establish and disseminate a procedure for reporting possible improprieties or criminal violations associated with its Federally funded activities to appropriate WMATA and OIG offices.

   ° Establish an Audit Committee of the Board of Directors and require their independent public accounting firm (IPA) to address these vulnerabilities in performing their audits. Require staff auditors and IPAs to report to the Audit Committee of the Board.

   ° Enforce the right to audit access.

   ° Not permit one-on-one negotiations involving claims or contract modifications in excess of $100,000.

   ° Ensure that a detailed written justification for any waiver of liquidated damages, audit access, or deviation from staff estimates.

   ° Prohibit its employees or representatives from participating in the development of a contractor's proposal beyond giving routine and general advice.

2. (Amtrak) We recommended that Amtrak, in implementing its revised procedures for controls of diesel fuel:

   ° Improve the physical security of storage areas and adequately secure storage tanks to prevent unauthorized fuel disbursement.

   ° Enforce provisions of purchase agreements designed to ensure against pilferage during fuel deliveries at Amtrak sites.

   ° Establish adequate procedures and provide accurate equipment to verify actual quantities delivered.

   ° Establish procedures and equipment to accurately document quantities dispensed and purposes for which diesel fuel is to be used.

   ° Ensure that physical inventories reflect actual quantities of fuel in storage tanks, including a specific determination of water content.

   ° Improve the verification of payments to ensure that fuel paid for is in fact received.

- Perform a followup internal audit of the adequacy of implementing actions and report results to the Audit Committee of the Board of Directors.

3. (ADP Timesharing) To DOT management, we recommended that:

- All passwords be changed after OIG monitoring completed.
- Managers be required to use available monitoring tools, periodically analyze logging/accounting records; and interview users with high online time during nights, weekends, and holidays.
- Timesharing vendors be excluded from bidding on system development contracts which include provisions for using computers covered under timesharing contracts with the same firm.
- Steps be taken to immediately change user IDs and/or passwords when users no longer have need to use the system.
- DOT assume control of passwords rather than a timesharing vendor.
- Include in future timesharing contracts a provision that computer resources accounting data be maintained for 12 months and be provided to DOT, upon request, within 5 days at a nominal cost.
- Periodically review selected timesharing activities to assure economical and authorized use of resources.
- Provide DOT timesharing users with instructional seminars on the efficient and effective use of resources and services.
- Clarify billing procedures in basic ordering agreements to ensure that similar rates are charged for the same type of work and that control over discounts earned and taken is maintained.

Senator Andrews: Do you anticipate increasing the number of fraud prevention and detection surveys? What factors have held down the number of surveys performed in FY 82?

Response: While six surveys were planned for Fiscal Year 1983, we may not be able to attain this goal because of the heavy commitment of our investigative resources to bid rigging investigations. This commitment, combined with our reactive caseload, will utilize most of our investigative resources. We will conduct as many of the surveys as possible.

As detailed in our response to the immediately preceding question, we conducted three fraud prevention and detection surveys in Fiscal Year 1982. Since this was a new program and since these surveys required approximately 120 days (elapsed time) to complete, we believe we got off to a good start. As more of our investigators and auditors, both at Headquarters and in the field, become familiar with these surveys and the methodology employed, we anticipate an increase in the number of surveys we conduct with no compromise in the quality of our efforts.

Senator Andrews: Do you believe that fraud prevention efforts should be given a very high priority in light of the limited amount of such efforts in past years?

Response: Yes, we believe we have given a high priority to fraud prevention by: (1) the nature and extent of audit activity and (2) our significant commitments to bid rigging investigations, as well as fraud prevention and detection surveys. The preventative results of our bid rigging efforts are evidenced by the lowered costs of highway construction, lowered level of average bid prices as compared to engineers' estimates, and increased number of bidders. The obvious but unquantifiable deterrent value is enhanced by the significant amount of fines and sentences imposed.

Senator Andrews: Audit and investigation staff needed for fraud prevention and detection surveys are taken from line positions on an "as available" basis. Wouldn't it improve your fraud prevention efforts if some auditors and investigators were assigned to a special office to do just these surveys? What would be the drawback to setting up a separate office? If the reason is other work, does this work, therefore, have a higher priority than fraud prevention?

Response: We believe that our current system of drawing auditors and investigators from "line positions" is the most advantageous way at this time to pursue the surveys. In addition, it has proven for us an effective way to familiarize as many auditors and investigators as possible with this new procedure. In developing a broad based experience, we will do fewer surveys in the short term, but in the long term we will be able to conduct more surveys on a national scale and not rely solely on a small Headquarters based staff. We feel this approach, during this early period, will assist in the refinement of procedures through input from a wide range of experienced personnel.

Senator Andrews: Do your auditors assess the potential for fraud in programs and activities they audit by reviewing internal controls? If no statement is made in the audit reports concerning auditees compliance with laws and regulations, how do you know that compliance reviews have been made?

Response: Yes, our Operating Manual instructions emphasize to our auditors the need for alertness to fraud or other unlawful situations during the survey and verification phases of audits. Operating Manual procedures which outline planning work to be undertaken in surveys, provide specific identification or vulnerable areas of management controls that should be evaluated. Material weaknesses in internal controls are reported, as are significant instances of noncompliance.

HEADQUARTERS-FIELD OFFICE RELATIONSHIPS

Senator Andrews: The DOT OIG has done few coordinated audits which employ both Headquarters and regional auditors in a single audit effort with nationwide applicability. For the most part, we are told, Headquarters auditors have done the field work on management audits. It appears that coordinated audits are less expensive to perform and take less time. Although the OIG has recognized this, the number of coordinated audits planned in Fiscal Year 1983 are actually less than the number performed in Fiscal Year 1980. As a general rule, do your Headquarters and field staffs work jointly or separately on audits?

Response: Our Headquarters and field staff may work jointly or separately on audits depending on the audit objective, type of program, activity and location, nature of problem areas, availability of staff, and any other planning considerations.

Regardless of whether an individual or coordinated audit approach is used, our audit planning and execution process requires coordination between the responsible Headquarters and regional offices on most audits.

Senator Andrews: Over the past 3 years, has the number of coordinated audits increased, decreased, or stayed about the same?

Response: The number of coordinated audits scheduled for Fiscal Years 83 and 82 were about the same--six audits. For FY 81, which was a pilot year for coordinated audits, about four were actually attempted on a coordinated basis.

Senator Andrews: Isn't it, as a rule, more efficient and effective to do coordinated audits?

Response: Coordinated audits generally are more efficient and effective when there are indications that a problem or problems may exist nationwide, and there is a need to timely evaluate an overall program, function, or activity.

Senator Andrews: Why aren't you performing more coordinated audits and what actions are you planning to take to increase the number of coordinated audits done in Fiscal Year 1983 and beyond?

Response: Our planning process provides for careful consideration in selecting the best approach to cover the areas recommended for audit by the Modal Administrations, OIG staff, or other sources.

Our general policy is to increase the use of the coordinated audit technique in FY 1984 and beyond. For FY 1983, six coordinated audits were planned. Coordinated audits for FY 1984 will be a priority item for the Audit Planning Committee which is scheduled to meet in April 1983.

Senator Andrews: Is one of the limitations to increasing the number of coordinated audits the lack of sufficient numbers of regional office auditors trained to do management audits?

Response: We have not detected any problems on the part of our regional staff in performing either coordinated or individual internal audits. An overall OIG objective is to redirect the regional effort toward the audit of Departmental regional programs and activities. In FY 1982, about 25 percent of our resources were used to provide oversight of grant audit activity. For the first quarter of FY 1983, this effort has dropped to about 17 percent of our regional effort.

Senator Andrews: Are the regional offices basically responsible for planning their own audit effort? Wouldn't a more centralized planning system assure more adequate audit coverage and avoid unnecessary duplication of audit effort?

Response: Under our current planning process, regional offices are requested to propose specific audits within certain guidance parameters established at OIG Headquarters. These parameters are set out in an annual program guidance document which prescribes the policies and guidance to accomplish the OIG audit and investigative goals/objectives for the planning year.

In October 1982, we established an Audit Planning Committee which will provide a centralized approach to planning audits. This committee will provide the OIG with the advantage of group deliberation and judgment. It will be comprised of representatives from our Headquarters and regional offices who will offer a wider range of experience, a greater variety of opinion, and a more thorough probing of facts bearing on audit selection. This committee will promote more adequate audit coverage and greater efficiency in the audit planning process.

Senator Andrews: Wouldn't a more centralized planning system give you an opportunity to schedule more coordinated audits?

Response: We anticipate that centralized planning by our Audit Planning Committee will result in more coordinated audits. A primary objective of the Audit Planning Committee will be to identify areas where coordinated audits will provide more timely and comprehensive evaluation of operations.

TRAINING

Senator Andrews: Many auditors transferred into the OIG, especially in its regional offices, were fiscal or grant auditors. Until recently, much of the regional office effort has been directed to grant auditing. The regional office staff is now responsible for performing more program audits because of OMB Circular A-102, Attachment P, and OIG efforts. Are your auditors in both Headquarters and the regional offices adequately trained to perform management, economy, and efficiency audits, especially in light of the many grant auditors transferred into the OIG?

Response: Our auditors in Headquarters and regional offices are adequately trained to perform management, economy, and efficiency audits. In order to assure that their skills remain sharp, there is an ongoing effort to provide training in these areas.

Senator Andrews: Do you perceive a need to train grant auditors in performing other type audits or do you believe that an auditor can perform any type audit?

Response: We believe that an auditor with the appropriate educational background, along with continued professional development, can perform any type of audit. When auditors are assigned specific assignments training needs are identified, when necessary, in order to assist them in being able to perform a quality audit in a particular area.

Senator Andrews: For the most part, were these grant auditors college graduates with training in auditing?

Response: A total of 230 grant auditors were transferred into the OIG. Of these, we were unable to locate educational information on 25 individuals because they are no longer with the OIG. Of the remaining 205 grant auditors, 11 had no degrees, and 194 or 94 percent had degrees.

Senator Andrews: How much money do you spend annually on training? What do you perceive as your highest training need, and how do you anticipate meeting this need?

Response: We spend approximately $135,000 annually on training classes and enrollments.

We believe our highest training need is development of a course on performing audit surveys to assist our auditors in being able to focus on the most important matters that need audit attention. We are in the process of developing such a course to present to our staff. A concerted effort is also being made to increase the productivity within our organization through the use of microcomputers in the audit, investigative, and administrative functions. Training sessions are being developed to carry out this plan.

AUDIT COVERAGE

Senator Andrews: In the middle of Fiscal Year 1982, the OIG for the first time developed an audit universe of DOT programs. The OIG estimated that its present audit cycle was about 10 years. What is your office's present audit cycle of DOT programs? Do you believe such a cycle is adequate and, if not, what is an adequate audit cycle, and what steps do you plan to take to reach this goal?

Response: The OIG has developed an audit universe of DOT programs and established audit cycles based, in part, on regulatory requirements and judgment of the frequency of audit. Basically, we determined that major programs should be examined on a 5-year cycle, selected safety programs on a 4-year cycle, financial activities every 3 years, and grants and contracts on a 2-year cycle. We estimate that our average cycle for internal audits is between 5 to 10 years. However, our planning process for selecting audit areas considers dollar value, vulnerability, sensitivity, and Congressional, GAO, and Departmental management interests to ensure that important areas are generally covered within the desired timeframes.

Our audit cycles have been established on an optimum desired basis. However, we probably never will achieve the established audit cycles for the total Departmental audit universe. Administrators, managers, and program officials in DOT are well aware of the OIG's presence. This awareness to some extent reduces the necessity for the desired frequency of audits in certain areas. New techniques in planning and application of audit resources are being used to reduce the audit cycle for selected Departmental operations.

Senator Andrews: Why haven't you been able to reach an adequate audit cycle?

Response: The established audit cycles for the Departmental audit universe would be difficult to achieve within the available resources. However, any important areas not covered for 5 to 10 years are given a high priority during the planning process.

Senator Andrews: If one regional office audits a certain program within its region does that satisfy DOT OIG's cycle for that program, or does each region and/or Headquarters have its own audit cycle?

Response: If one regional office audits a certain program within its region, it may or may not satisfy DOT OIG's cycle for that program. Such audits need to be evaluated on a case-by-case basis considering the audit objective, scope, and whether the audit results have national implication.

The audit cycles established pertain to Departmental programs administered by the Modal Administrations. Although there are exceptions for unique regional facilities, each region and/or Headquarters does not have its own audit cycle.

Senator Andrews: What impact does the number of DOT Administration requests have on your office meeting an adequate audit cycle?

Response: The Modal Administrations' recommendations as to what programs and activities they would like the OIG to audit is an essential element of our audit planning process and does impact on the audit cycle. We carefully evaluate these requests to determine whether the suggested areas are significant and when the last audit was made.

If their requests meet our criteria and are consistent with OIG's goals and objectives established for that year, we incorporate these recommended audit areas into our Annual Audit Plan. If not, we advise the Modal Administrations why the area was excluded.

Senator Andrews: What negative impact occurs because your audit cycle is longer than desired? If none, why the effort to decrease your present audit cycle?

Response: The OIG has established audit cycles for the various program and administrative support activities in the Department. We estimate that the overall average cycle for internal audits is between 5 to 10 years. The negative impact of not accomplishing the desired audit cycle is that Departmental management is not given adequate assurance as to the effectiveness of operations or provided with timely recommendations to improve operations where necessary.

OIG ADHERENCE TO AUDIT STANDARDS

Senator Andrews: All Federal audit organizations are required to follow audit and report standards developed by GAO. The standards prescribe the scope of audits, qualifications and conduct of auditors, quality of audit performance, the nature and extent of the audit evidence to be obtained and the nature and content of audit reports. How do Headquarters and regional office management monitor ongoing audits to assure that these are properly done in accordance with existing standards and that the audits are completed on a timely basis?

Response: All audits are performed from audit programs approved by the Regional Managers and Headquarters Program Directors. Project Managers and Program Directors review audit workpapers for responsiveness to audit programs and adherence to standards. Deficiencies are written up on review sheets, and deficiencies are corrected and questions are resolved through discussions with auditors. The Office of Regional Programs continuously monitors the progress of regional audits to ensure timeliness of completion and periodically visits regional offices to assess adequacy of workpapers and audit evidence, quality of audit performance, and adherence to audit standards.

Senator Andrews: Have you performed evaluations of the extent to which audit and report standards are being met as outlined in your operating manual? If not, why have these evaluations not been made?

Response: Reviews of regional offices' operations by our Office of Regional Programs staff generally include evaluation of compliance with audit and report standards. A comprehensive program has also been developed by our Office of Planning and Evaluation to assess adherence to audit and report standards by both Headquarters and regional audit staff.

Senator Andrews: Without such evaluations, can you honestly say that auditors are meeting the prescribed standards? Isn't it true that significant problems could exist without identification, and wouldn't such an evaluation quickly identify these problems?

Response: Evaluations of audit operations, in general, and audit workpapers specifically would identify problems in compliance with standards. Our evaluation and review approaches have been developed with this concern in mind.

Senator Andrews: Have you, by any method, identified problems in auditors' adherence to standards, and what action have you taken to remedy the problem? Would additional training in the standards be beneficial in this regard?

Response: Our reviews indicate that, for the most part, our auditors have adhered to standards. A need for improvement has been noted in some areas such as indexing and cross-referencing of workpapers. Training in audit standards is provided both on-the-job and in formal training courses. As part of our monitorship of audit performance, we will continue to assess adherence to audit standards and intensify our training efforts as needed.

Senator Andrews: How do you assure yourself that audit supervisors adequately review his/her staff's workpapers to assure that adequate evidence to support audit findings is included in the working papers and that all audit standards have been met?

Response: As part of our Quality Control procedures, our Operations Manual requires documentation of supervisory review by the use of review sheets. The Operations Manual lists seven areas of the audit process which must be reviewed by the supervisor. Included in the seven areas is the review to establish that auditing standards were observed during the audit. Periodic evaluations of audit offices' operations, using guidelines prepared by our policy staff, verify that proper supervisory reviews are being made.

Senator Andrews: How do you know that such reviews have taken place and what actions are taken if problems are identified?

Response: In evaluations made of our regional audit offices and Headquarters audit operations, determination would be made that all issues evolving from such reviews have been satisfactorily resolved. This is usually accomplished by reviews of workpapers, supervisory review sheets, and cross-referenced copies of related audit reports.

Senator Andrews: What is the standard time limitation for executing an audit and preparing a report? Does this time limit adversely affect the ability of your staff to comply with audit standards?

Response: The standard time for performing a typical audit and preparing the draft report is 170 elapsed days. In those instances where the time limitation could affect the auditor's ability to adhere to the standards, our procedures provide for the submission of appropriate justification to request the additional time needed.

OIG AUDIT REPORTS

Senator Andrews: The GAO standards also apply to reporting. We are told that your philosophy of reporting is to deal with the lowest administration level which can take actions on the recommendation contained in the report. Often this level, such as a regional office, will get more than one opportunity to comment on the draft and, as a result, only its latest comments are contained in the final report. If disputes arise over OIG findings they are basically settled at that level, we are told, and are rarely elevated to a higher OIG or administration level. We are also told that, often, the disputed finding is closed by the OIG with no further action taken, and normally the Office of the Secretary does not receive audit reports on DOT administrations. Who within OIG reviews draft audit reports before they are sent to the administrations for comment? What type of reviews are made?

Response: Draft audit reports are reviewed by a supervisor who is at least one functional supervisory level above the top staff member making the audit. Normally, the draft would also be reviewed by the Regional Manager in the case of field reports or an Office Director in the case of reports issued by Headquarters.

Reviews of the draft report are made to ensure that: (a) established auditing standards were observed in the performance of the work, (b) the observations identified in the report were fully developed, (c) the conclusions and recommendations were valid and reasonable, and (d) findings and recommendations were fully documented.

Senator Andrews: What is done to ensure that the reports correctly, comprehensively, and objectively present the facts obtained during the audit, especially that the report findings are based on adequate and sufficient evidence?

Response: As mentioned earlier, audit reports are reviewed by Project Managers in the regions and Program Directors in Headquarters for adequate support, proper presentation, clarity, and factual content. Audit disclosures in reports are cross-referenced to workpapers, using a copy of the report. Facts and issues relating to the findings are also discussed with responsible program officials to assure agreement on factual content.

Senator Andrews: Could you describe what happens when the administrations disagree with one or more findings in your draft report? What assurances do you have that your regional offices or Headquarters offices do not simply drop disputed audit findings, simply because administrations disagree?

Response: As part of desk review procedures, our Regional Programs staff in Headquarters review final reports for changes made in draft reports. Copies of responses to draft reports, included with final reports are also reviewed to determine whether these contain information which resulted in modification or deletion of finding. Regional auditors are required by operating procedures to notify our Regional Programs staff whenever there are indications that administration officials disagree with a finding.

Senator Andrews: Under what circumstances would you change or delete a finding in a draft report based on administration comments? As a rule, do the administrations have more than one opportunity to comment on a draft report? Why and do you include all the administrations' comments in the final report? If only their last set of comments, what is your rationale for this?

Response: Based on subsequent review of new or additional information on data supplied in response to a draft report, a decision may be made to change or delete a finding. Administrations may substitute a response that we considered unresponsive; in which case, the superseded response is used. Also, as a result of conferences held after receipt of the original response, administrations may rescind the original and issue a new response which excludes prior comments.

The administration's comments are included to provide a forum for the complete administration's views regarding the finding. The number of responses included will depend on circumstances. Superseded responses are not included, but supplementary responses are included to provide complete views of the administration.

Senator Andrews: Are disputes over audit findings normally elevated to higher OIG and/or administration levels? Do you have any empirical data in this area? If not, how do you know that disputes are normally elevated?

Response: Yes, it is a requirement of our Operating Manual instructions that disputes over audit findings called "nonconcurrences" which are unsettled must be elevated to Headquarters for further staffing. Our Office of Regional

Programs reviews all audit reports to assure that disputed findings are identified and elevated for resolution. Our MIS identifies these nonconcurrences, which are tracked until resolved at the higher level in Headquarters.

Senator Andrews: As a rule, are these disputes settled before or after the final report is issued?

Response: In most cases the disputes are settled before the final report is issued. Our system provides the administration an additional 90 days to reply to all findings after the final report is issued.

Senator Andrews: Would it be a true statement to say that in many cases when the administrations disagree with an OIG audit finding, the OIG will decide to close out followup on the finding with little or no further action? Could you supply for the record the number of disputed findings that remained open and those that were closed? If no such data exists, how do you know that the above statement is not true?

Response: It is not a true statement that the OIG yields to the administrations when they disagree with the audit findings. Of those audit reports closed (resolved) in Fiscal Year 1982, the OIG had a 75 percent of costs questioned sustained rate and a 71 percent of other dollar benefits sustained rate. These figures are contained in our Semiannual Report to Congress and are summarized as follows for FY 1982:

Costs Questioned		Other Dollar Benefits	
Resolved	Sustained	Resolved	Sustained
$153 Million	$115 Million	$777 Million	$556 Million

STAFFING AND STAFFING NEEDS

Senator Andrews: You have about 40 investigators to investigate all allegations received, as well as to perform fraud prevention and detection surveys. The OIG has one of the largest auditor to investigator ratios among the Federal OIGs. Early in 1980, the OIG, in conjunction with the DOJ's Antitrust Division and FBI, began an investigation to detect bid rigging violations in DOT funded construction projects. By the end of FY 82, the investigation had been expanded to 17 states and additional states will be added in FY 83. Are the 40 or so investigators presently assigned to the OIG enough to investigate the allegations received and still spend sufficient time on fraud prevention and detection efforts?

Response: In Fiscal Year 1983, we plan to commit 50 percent of our investigative resources to investigations of bid rigging activity, a proven high payoff area. Our effort in this direction has now expanded to 36 states. We intend to manage our workload through strict case control and effective use of computer applications.

Senator Andrews: Hasn't the growth of bid rigging investigations significantly decreased the number of investigators available to perform other necessary tasks? What investigative efforts have suffered because of your bid rigging effort?

Response: The growth of our bid rigging investigations has affected the number of investigators available to perform other tasks. Since 50 percent of our investigative resources will be directed to this area, some of our other investigative efforts will have to be tightly managed.

Senator Andrews: Why is the DOT OIG's auditor-investigator ratio higher than most Federal OIGs? In light of the bid rigging investigation and other increasing demands for investigations, such as fraud prevention studies, do you believe this ratio should be lowered by hiring more investigators than auditors as slots become available?

Response: Our auditor-investigator ratio is higher because, when the IG staff was first established, we absorbed 373 auditors and only 25 investigators. This ratio has been reduced in the intervening years.

OTHER SERVICES SPENDING

Senator Andrews: Your budget justifications indicate (Page SE-5) that spending for "other services" increased 25 percent in 1983 and you are projecting another increase of 9 percent in 1984. Provide a detailed breakdown for the record of the total amount for "other services" in Fiscal Years 1983 and 1984, along with a narrative explanation for these large increases.

Response: The large increase in "other services" between 1982 and 1983 was a result of reductions imposed during 1982 to our contract audit effort. As addressed in our 1983 budget request, this was the only area flexible enough to absorb the large reductions imposed during the 1982 budget process. Most of the 1984 increase covers increased cost and increased audit effort from sources outside the OIG. It includes proposal audits, overhead audits, cost incurred audits, and audits of grants awarded by the Department.

A detailed break of "other services" for FYs 1983 and 1984 follows:

	($000) 1983	1984
Training	$ 135	$ 135
WCF Charges	769	796
Security Investigations	150	150
Equipment Maintenance	45	45
Building Repair	50	50
Storage of Household Goods	25	25
DCAA	1,400	1,500
DHHS	100	150
Other Contractural Svc.	430	430
Reimbursable Agreements	409	491
IPAs	600	700
	$4,113	$4,472

ASSISTANCE TO OIG FOR EXTERNAL AUDITS

Senator Andrews: In response to a record question last year (Page 333), it was stated that the DCAA performs most of the external audits for grants and contracts for the OIG. These audits are done on a reimbursable basis. What is the total annual cost to the OIG for reimbursable audits done by all Federal agencies for the OIG?

Response: We have budgeted $1,700,000 for FY 1984 for reimbursable audits performed for us by other Federal agencies.

Senator Andrews: Why is it more cost effective for DCAA and other agencies to complete audits for the OIG?

Response: It is not necessarily more cost effective. We benefit from their onsite location and audit cognizance over the contractors. Use of other agencies also enables the OIG to provide greater coverage with existing personnel and full-time equivalent ceilings.

Senator Andrews: Has the increase in defense spending fostered by the Administration created enough defense contracts to cause DCAA to be a less willing agent for the OIG?

Response: No, DCAA has continued to provide us with their assistance whenever requested to do so.

USE OF VULNERABILITY ASSESSMENTS

Senator Andrews: In your testimony before this Subcommittee last year (Page 319) you spoke of an intent to tie OIG audit planning decisions to A-123 Vulnerability Assessments within DOT. Based on that approach please identify for the record the kind and number of sensitive and high risk programs that you will audit in FY 1983 and FY 1984. What is your percentage of accomplishment so far in FY 1983?

Response: The target date for completion of the Department A-123 Vulnerability Assessments was December 31, 1982. Consequently, the necessary A-123 data was not available for consideration in developing our FY 1983 Annual Audit Plan which was issued on September 1, 1982.

Our audit planning is developed by using information obtained from many sources. We have not yet developed our FY 1984 audit plan. Many of our audits of Departmental programs and functions are directed to perceived high risk areas.

Senator Andrews: How do the vulnerability assessment criteria contained in A-123 compare to the kinds of criteria used by OIG to determine which programs or funds need to be audited?

Response: Some of the criteria in A-123 for conducting vulnerability assessments is similar to that which we use in determining the programs or funds to be audited, such as size and dollar value of programs, newness of programs, etc.

IMPROVEMENTS TO AUDIT CYCLE

Senator Andrews: What changes have been made to improve the time between individual program audits by OIG from the current 5 to 10 years (Page 324)?

Response: New techniques in planning and application of resources are being used to reduce the audit cycle for selected Departmental operations.

INVESTIGATIVE ACCOMPLISHMENTS

Senator Andrews: Please summarize the results of your investigations and surveys on an annual basis from FY 1982 (project through FY 1984). Have any particularly wasteful or fradulent management practices been uncovered which can serve as a focus for your program in FY 1984?

Response: Our fraud prevention and detection surveys were summarized in response to an earlier question.

- The questionable management practices uncovered during the WMATA survey will provide the impetus to conduct similar surveys on other transit agencies as time and resources permit.
- Information obtained, lessons learned, and techniques utilized in our earlier bid rigging investigations are constantly being evaluated and

updated to continually refine our ongoing efforts in this area.

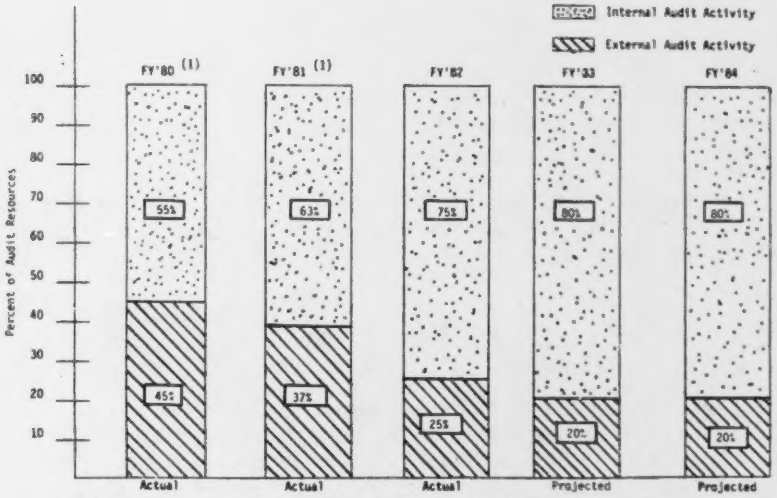
The experience gained and observations made from our investigative efforts as well as our surveys will serve to focus on:

° Construction and procurement activities in transit authorities.

° U.S. Coast Guard and Federal Aviation Administration procurement activities to include review for potential contract fraud and bid rigging.

Senator Andrews: Last year it was projected by OIG (Page 338) that OIG audit resources would continue to shift from external to internal audits and be at a 75 percent for the latter in FY 1982 due to implementation of A-102. Please chart for the record the relative allocations of external and internal audit resources from FY 1980 to FY 1984.

Response:



Allocation of Audit Resources by External
and Internal Audit Activity
(FY'80 to FY'84)

(1) Codes used to report and accumulate data for Fiscal Years 80 and 81 were subsequently changed. The percentages shown are based on the codes in use at the time.

AUDIT SAVINGS

Senator Andrews: In your FY 1984 budget request (Page SE-7), you identify audit savings of $671 million for audits done in FY 1982. Can you break down the individual audit areas that generated these savings? Further classify them by Modal Administration if possible.

Response:

Reported Savings
DOT/OIG FY 82
$ in Millions

AUDIT AREA	FHWA	UMTA	FAA	USCG	FRA	NHTSA	DOT-Wide	RSPA	MARAD	OST	OUTSIDE AGENCIES	TOTAL
Grant Audits:												
A-102, Attachment P	$ .42	$ .52	$ .05	$ -0-	$ .01	$-0-	$ .17	$-0-	$-0-	$-0-	$-0-	$ 1.17
Other Grantee-Initiated	2.35	2.02	.46	-0-	-0-	-0-	.05	-0-	-0-	-0-	-0-	4.88
Non-Grantee Initiated	1.79	28.70	8.21	.12	2.32	.14	.13	-0-	-0-	-0-	-0-	41.41
Internal Audits	471.80	82.02	37.75	15.02	6.58	4.40	3.	.43	-0-	-0-	-0-	621.0
Contract and Procurement:												
Proposals	-0-	-0-	-0-	.02	-0-	-0-	-0-	-0-	-0-	-0-	-0-	.02
Overhead	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Contracts	2.06	.01	.05	-0-	.33	.13	-0-	-0-	.43	.7	.03	3.74
Total	$478.42	$113.27	$46.52	$15.16	$9.24	$4.67	$3.35	$.43	$.43	$.7	$.03	$671.72

The DOT-wide category represents reports that cover more than one DOT Modal Administration.

Senator Andrews: These savings were based on 2,041 audit reports (Page SE-7). Based on your request, 2,300 such reports are likely in both FY 1983 and FY 1984. What levels of audit savings do you project in these years?

Response: We have no realistic basis for forecasting savings that will be reported in Fiscal Year 1983. There is no direct relationship between the number of reports issued and the amounts saved. Furthermore, there is no direct relationship between the savings reported from year to year. Savings will also vary between Modal Administration since we do not consistently commit our resources to a standard level of effort within the agencies or their programs. We try to maintain sufficient flexibility in our planning to react to unknown situations that may arise.

NEW AUDIT IDEAS

Senator Andrews: Given that one of the tasks of the President's Council on Integrity and Efficiency (Page 334) is to find new or innovative audit and investigative techniques, what fresh ideas have been put forth? Please summarize any Council Publications on this subject.

Response: Several new or innovative and investigative techniques have been put forth. We initiated a computer workstation project consisting of five computer workstations to increase the productivity of our auditors, investigators, and administrators. The workstations enable the users to schedule, sample, project, and quickly analyze large volumes of data using electronic spreadsheet techniques. The workstations also provide access to the audit software needed to make reviews of the Department's computer operations. We also initiated a program to perform fraud prevention and detection surveys through the joint efforts of auditors and investigators. We assisted the President's Council on Integrity and Efficiency, in conjunction with the

Interagency Auditor Training Center, in the development of a fraud prevention and detection training course using actual case histories.

MONETARY THRESHOLDS FOR AUDITS

Senator Andrews: GSA has formalized the new threshold for auditing cost-type contracts at $500,000--the cost at which contracts can be closed without audit. OIG used the new threshold on a one year waiver (of $250,000) in FY 1982 (Page SE-14). What were the resulting manpower savings in FY 1982? What manpower cost will be avoided in FY 1983 and FY 1984? (House Page 432)

Response: The GSA $500,000 threshold is applicable only to pre-award audits of contractors' cost type proposals. There are no thresholds presently in the regulations which are applicable to closing contracts.

BONDING ASSURANCES

Senator Andrews: How does the OIG determine whether a grantee's bonding and insurance requirements are sufficient to protect the interest of the Federal Government when non-Federal audits are done? Is it not a basic part of your audit responsibility? Have Federal grantor agencies been diligent in the past in assuring these requirements are met and sustained through the life of the contract?

Response: Audits of the Urban Mass Transportation Administration (UMTA) grantees, whose grants involve the largest amount of personal property, indicate adequate coverage of insurance in most instances. A few cases were encountered where coverage was inadequate, and these were reported to UMTA for corrective action.

ATTACHMENT P AUDIT IN MARYLAND

Senator Andrews: The State of Maryland is apparently committed to satisfying all its audit requirements with a single statewide audit, with the OIG as cognizant audit agency. What progress has been made by Maryland in securing that statewide audit? Is this approach suitable for other states? Please explain the advantages and disadvantages of this approach from the OIG viewpoint.

Response: The State of Maryland has engaged a Certified Public Accountant (CPA) to perform the statewide audit. Presently, the CPA is ascertaining the state's grant universe, conducting internal control reviews in selected Departments and developing a sampling plan.

The adoption of the statewide audit approach by other states has merit. However, its suitability must be determined on a state-by-state basis. Factors, such as the state's size, organization, and audit capability must be considered.

The principal advantage of the statewide audit approach to the OIG is that it requires contact with only a single audit organization. This facilitates the OIG's conduct of upfront technical assistance and oversight.

This advantage may be outweighed by disadvantages reflected in inherent organizational limitations of time, staff, and funds. These factors would require imposition of severe scope and testing limitations when performing an audit of an entire state, especially the very large ones. The ultimate effect is, of course, the degree of reduction of program coverage. Some Federal grant programs can be expected to receive little or no audit examination because of their relatively small size compared to other programs being audited.

OFF-LOADING INVESTIGATIONS

Senator Andrews: In last year's House hearings, you stated that to achieve maximum efficiency and effectiveness in the use of OIG investigative resources, several changes were being made. For example, more cases are being referred to the FBI; joint investigations with FBI and other agencies are increased; and more complaints are being referred to the administration for resolution. Thus, OIG can focus on high priority projects. What are high priority projects? How much manpower does OIG recover after coordination workloads are considered. What qualitative judgments can be made about the resulting investigative resolutions using these approaches?

Response: The highest priority project for Fiscal Year 1983 is bid rigging investigations. We will spend 50 percent of our investigative resources in this area in an attempt to expand our efforts into as many states as possible--our goal is 45--over the next 2 years.

We have not tracked manpower recovered from these efforts. However, this approach permits us to have more simultaneously ongoing inquiries by obtaining such assistance and thus devoting less manpower to each case. For instance, investigative responsibility associated with the bid rigging project is shared with antitrust attorneys, permitting us to open more surveys. In addition, calling in other agencies avails us of their expertise and equipment.

By this mix of experience and viewpoint, quality is enhanced, particularly when the other agency can provide equipment and technical services we do not have. Such added manpower helps reduce case turnaround time which improves the quality of service through timeliness.

WORKLOAD DISTRIBUTION

Senator Andrews: Your budget estimates include a fairly detailed workload distribution chart (Page SE-15). What kind of formula or staffing standards are used to establish this distribution?

Response: A number of factors are considered in determining the projected workload distribution by type of audit effort and administration. The distribution is based on such data as actual audit experience in prior periods, changes in Departmental programs and activities, personnel and budget levels of the Administrations, impact of requirements of Attachment P A-102, Departmental goals and objectives, and mandated requirements.

Senator Andrews: What dictates that the workload numbers for FY 1984 are exactly the same as for FY 1983? Why do your estimates for projected effort turn out to be exactly the same for both fiscal years? How careful is your planning if both years look exactly the same?

Response: From an audit perspective, we do not foresee a significant Departmental budget change and programs seem to have stabilized for these periods. Consequently, our audit workload projections, which are directly related, are also stable. Our estimates for projected effort for FY 1983 and 1984 were based at the time on a stabilized budget. As we get closer to the planning year, our planning process provides for the careful analysis and coordination of data to develop a more definitive Annual Audit Plan.

Senator Andrews: Internal performance monitoring and other feedback mechanisms are needed in any organization if improvements are to be achieved. How do you evaluate your own operation to verify adherence to law and operating efficiency?

Response: On a selective basis, audit reports are reviewed to determine compliance with OIG and GAO policies and standards for audit reporting.

A self-evaluation program has been established to assess the quality and effectiveness of audit and investigative activities in the OIG. In Fiscal Year 1983, three evaluations are planned. These evaluations will cover technical performance and administrative management activities at the selected OIG offices.

AUDIT REQUIREMENTS PER OMB CIRCULAR A-102

Senator Andrews: In your last semiannual report, you spoke of the need to "Establish Attachment P Coordinators in Headquarters and the Regional offices to deal with various problems that have arisen" (9/30/82, page 6). What kinds of problems do these coordinators handle? Is A-102 not properly written to sufficiently guarantee independent audit? Does not establishing these coordinators reduce the manpower savings that your office should enjoy due to implementation of A-102?

Response: The Regional Coordinator serves as the regional focal point and is responsible for all Attachment P aspects for all grantees in the region. The Regional Attachment P Coordinators's responsibilities include:

- Upfront technical assistance to program officials, grantees, and their auditors.
- Preliminary review of Non-Federal Auditors's (NFA) reports to determine: (1) cognizance, (2) processing requirements, and (3) field work requirements.
- Advising Regional Manager of staffing needs and coordinating performance of desk reviews and quality control reviews.
- Coordination with OIG Headquarters and other Regional Federal Departments regarding A-102-P issues.
- Maintenance of statistics on NFA reports, A-102-P information, policy, etc.
- Review of or preparation of NFA report transmittal letters, and the conduct of quality assurance field work, as time permits.

The Headquarters Coordinator serves as the OIG focal point for addressing all A-102-P issues with national implications. In addition, the Headquarters Coordinator monitors regional A-102-P performance, and provides technical advice to regions on local A-102-P issues, as requested.

The appointment of coordinators does not reduce manpower savings otherwise attainable. The tasks identified above are considered necessary for the satisfactory implementation of A-102-P. The coordinators will ensure that the responsibilities are carried out in an efficient and effective manner.

Senator Andrews: Some State DOT organizations had been doing grant audits in violation of the "spirit of independent audits" on state grants (semiannual report 3/31/82, page 7). What actions has OIG taken to preclude this practice?

Response: In those cases where grant audits should not have been performed in place of entitywide audits, we have called the attention of program officials to this condition. We have also recommended that the program officials take necessary action to obtain entitywide audits in the future.

SUSPENSION AND DEBARMENT OF GRANTEE CONTRACTORS

Senator Andrews: We understand that the draft regulations on suspension and debarment that were prepared by the DOT Task Force have been circulated for comment. We are advised that public comments are being reviewed and a final rulemaking action should occur in April 1983. What impact do you believe the DOT-wide debarment sanctions have on the annual number of violations by contractors?

Response: It should serve as a strong deterrent and thereby reduce violations.

Senator Andrews: What progress has been made to establish a central agency or clearinghouse to maintain the list of suspended and debarred contractors?

Response: Since September 23, 1981, the Department of Transportation (DOT) has maintained a current list of the names of grantee contractors who have been disqualified from participation under the Federal Highway Administration's (FHWA) Federal assistance programs. Each DOT Administration takes action to see that their grantees are aware of this listing, and that the FHWA disqualification is a factor in determining whether a contractor is eligible to participate under a particular grant project.

Currently, Office of Federal Procurement Policy Letter No. 82-1 of June 24, 1982, requires the General Services Administration (GSA) to compile and maintain a current consolidated list of all Government contractors who are debarred, suspended, or declared ineligible by agencies or by the General Accounting Office (GAO). GSA is required to revise and distribute the list quarterly to all agencies and the GAO and to issue monthly supplements as necessary.

The President's Council on Integrity and Efficiency (PCIE) completed a study in November 1982, to determine if a comprehensive, Governmentwide suspension and debarment system was desirable and feasible. Under consideration of the PCIE was a proposal to develop a centralized Governmentwide suspension/debarment information exchange capability utilizing a direct telephone-computer link, or an "800" telephone number query capability, or online access for high volume users. The PCIE draft report is currently under study in the Office of Management and Budget.

Senator Andrews: What impact will this rule have on the resource requirements of the OIG? Will there be more time required in hearing and appeal sessions? Do you estimate that "getting rid of the bad apples for a time" will reduce your overall investigative and audit workloads?

Response: There will be minimal impact on OIG resources. The list will be maintained by the Assistant Secretary for Administration. We expect a limited number of requests from adjudicators for additional investigative assistance to aid in decisions relative to length of debarment periods, degree of association of new firms with previously debarred companies, etc. We anticipate no reduction in workload at the present time.

QUESTIONS SUBMITTED BY SENATOR CHILES

DEGREE OF SUCCESS IN GETTING AUDIT RECOMMENDATIONS IMPLEMENTED

Senator Chiles: OMB Circular A-50 and a Department of Transportation (DOT) order states that audit resolution occurs when the Administrations agree to take corrective action. At that time, the DOT/Office of Inspector General (OIG) closes out its audit followup and often claims an accomplishment. Various studies, including past General Accounting Office (GAO) reports, have shown that Federal agencies do not always take these actions. In the summer of 1982, to respond to ad hoc requests from the GAO and the Congress, the OIG initiated a secondary followup system to determine, for findings over $100,000, if the Administrations had not taken actions to realize $264 million in potential savings, offsets, or recoveries, or 51 percent of the total dollar amount involved in the sample. The DOT/OIG will not adjust their primary audit followup system based on the results of the secondary followup system or report the results to the Secretary or the Congress.

Circular A-50 was revised in September 1982 to require that each Federal agency appoint an audit followup official to be responsible for maintaining accurate records on the status of corrective actions taken as a result of audit findings. As of early January 1983, DOT has not appointed an audit followup official.

Response: OMB Circular A-50 states that it is management's responsibility to take corrective action on audit findings. Once management agrees to take corrective action, the followup official is responsible for monitoring the completion of such action. However, complete followup has always been a part of Departmental policy as set forth in DOT Order 8000.1 dated 10/5/79. The OIG secondary followup is designed to enable us to monitor the corrective actions taken on resolved audit reports and schedule additional audit work if required.

We see no reason to adjust our followup system because it comports with the requirements of OMB Circular A-50.

The reporting of secondary followup data is not included in our semiannual report because it is not required. However, in the past we have made the results of secondary followup reviews available to a Congressional staff as well as GAO.

In June 1981, a Special Assistant within the Office of the Secretary was designated as followup official for DOT by Secretary Lewis (see attached memorandum). This position became vacant in February 1983 and Secretary Dole appointed the Assistant Secretary for Administration as DOT's followup official on March 8, 1983 (see attached memorandum).

MEMORANDUM FROM DREW LEWIS

Date: JUN 29 1981 Reply to Attn of: JP-10 - X64172

Subject: ACTION: Followup and Resolution of Audit Findings

From: The Secretary

To: Secretarial Officers
Heads of Operating Administrations

When President Reagan launched his program on antifraud and waste in March of this year, he directed each Department Head to designate an individual to be responsible for followup on Inspector General and General Accounting Office recommendations. Kenny Klinge, the Special Assistant within my office, was designated to be the "followup" official for the DOT. The purpose of my memorandum is to express my continuing interest and desire for the Department to comply with the spirit and intent of the President's antifraud and waste program.

It is essential that each of you continue to take timely action to correct and resolve all audit findings and recommendations. I want your continuing interest so that we can maintain this positive momentum. In addition, Kenny Klinge has incorporated in the Department's Cost Avoidance, Reduction and Efficiency (CARE) Program a requirement to monitor the effectiveness of actions taken on both IG and GAO reports.

Also, the Congress has recently taken a greater interest in the resolution of audit findings. In the Appropriations Acts of 1980 and 1981, they have made it a requirement that all audits be resolved within 6 months of the completion of the audit report. I have asked Bob Fairman, Assistant Secretary for Administration, and Joe Welsch, the Inspector General, to work with each of you on GAO reports and IG reports (respectively) to assure that adequate procedures are developed to comply with the President's direction and the Congressional requirement.

MEMORANDUM FROM JOSEPH P. WELSCH

Date: FEB 3 1983 Reply to Attn. of: Kerr:x64108

Subject: ACTION: Departmental Followup Official

From: Joseph P. Welsch
Inspector General Joe

To: The Secretary

The designation of a Departmental Followup Official is required by Office of Management and Budget (OMB) Circular A-50, entitled Audit Followup. This circular provides that the head of each Department designate to this position a top-level official with the responsibility to oversee audit followup, including resolution and corrective action. Kenny Klinge was the Departmental followup official for all audit reports. Bob Fairman's office currently has Departmental responsibility for receipt and processing of General Accounting Office (GAO) reports.

With the departure of Kenny, I suggest that the Assistant Secretary for Administration be designated as the Departmental followup official for Office of Inspector General (OIG) and GAO reports. This position is well suited, by both level of authority and operating functions, for overall administration and coordination of this Departmental activity. I have discussed this with Bob Fairman and he agrees with this recommendation. If you approve this designation, Bob Fairman and I will notify OMB.

The Secretary:

Approve ____________

Disapprove ____________

Date MAR 8 1983

Comment ____________

Dr. Fairman
M's Concurrence

____
M's Nonconcurrence

2-2-83
Date

cc: The Deputy Secretary

Senator Chiles: In light of past studies that found management often does not take action on audit recommendations, even after it agrees to take action, why do you close out your followup effort when the Administration agrees to take corrective action?

Response: As noted previously, it is management's responsibility to take action on audit findings, and the followup official monitors this function.

Senator Chiles: Don't you think the Secretary would be or should be interested in instances where the Administrations do not take corrective actions to realize potential savings, offsets, and recoveries? If so, how could the Secretary know about these instances of nonaction? Wouldn't keeping your followup open until actions are completed give the Secretary this information?

Response: The DOT followup official is charged with the responsibility to monitor management's actions and report any shortcomings to the Secretary.

Senator Chiles: What changes in your primary and secondary followup system will occur because of the revised OMB Circular A-50's requirement that each Federal agency appoint an audit followup official?

Response: The Department of Transportation has had an "Audit Followup Official" since early 1981. The functions performed and the position within the Department are in accordance with the requirements of OMB Circular A-50 which was issued in September of 1982. Therefore, this new OMB requirement will require no change within our Department since we are in compliance.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess until 10 a.m. on Friday when we will hear the United States Railway Association.

[Whereupon, at 11:45 a.m., Wednesday, March 9, the subcommittee was recessed, to reconvene at 10 a.m., Friday, March 11.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

FRIDAY, MARCH 11, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

CONRAIL

STATEMENT OF L. STANLEY CRANE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning we have the pleasure of hearing from the folks from the U.S. Railway Association and from Conrail. We have a pretty good group out there. I see a number of our old friends who must be loaded with information for us.

Mr. Blanchette, welcome to the committee again. It is good to have you here. I understand you have a statement. We can assure you that your statement, of course, and the statements of Mr. Crane and Mr. Berger will appear as though they were read word for word in the record. You can summarize them or do whatever you wish to do. We are glad to have you all here.

Who goes first? Have you flipped a coin?

Mr. CRANE. Whatever you would like.

Senator ANDREWS. Great.

Mr. CRANE. You have a copy of my prepared statement. As you indicated, it is not necessary to read that. I will simply brief it by saying——

Senator ANDREWS. You agree with it?

Mr. CRANE. Yes, indeed.

Senator ANDREWS. Sometimes we find that the witness either does not agree with it or he loves the sound of his own voice so much that he goes on to the tune of about 10 times the length of the statement.

STATEMENT OF L. STANLEY CRANE

Mr. CRANE. I will follow that admonition, Mr. Chairman, believe me, by simply saying the year 1982 was a down business year and we lost 500 million dollars' worth of revenue because of the lack of business. However, we managed to control our expenses commensurate with the amount of revenue. As a result, we made about the same amount of money in 1982 that we made in 1981.

There were some one-time adjustments on the P&L statement due to the fact that the Financial Account Standards Board required us to take into income the tax benefit transactions that we sold in 1982 which we didn't in 1981 which caused the bottom line to look a little bit better than it really did.

However, I am very proud of what we were able to do. We achieved it primarily because of the provisions that had been provided in the Northeast Rail Service Act. Those provisions permitted us to reduce our labor force commensurate with the volume of business we had and to abandon branch lines where it was appropriate to do that and to move forward to consolidate the system down to the amount of the business that we hauled.

We are optimistic for the year 1983. I am very happy to say that business does seem to indicate that it is picking up. The bottom of the recession looks like it occurred in December. In January, February, and so far in March carloadings have been progressively better. Losses for the first 2 months of this year are quite modest. We might even break even for the first quarter if March is as good as we think it is going to be.

We are quite confident of passing the profitability test that is mandated in the act which provides if we don't pass it, the Secretary can start to break up Conrail and sell it in pieces. We don't think that would be to the best benefit of the country or territory we serve. We think we will pass the test so that the Secretary will continue to try to sell it as an entity.

The Secretary has retained the investment banking firm of Goldman, Sachs & Co. They are working on the sale. We also have a proposal from labor, our own employees, which we are considering. We think 1983 will be a very interesting year for conclusion.

In conclusion, let me say, as has been the case for the last 2 years, I am very proud to say we don't need any money from the Federal Government at the present time.

PREPARED STATEMENT

Senator ANDREWS. Those are welcome words. I wish a few more people would say that when they come up here. We have your prepared statement and we will make it part of the record.

[The statement follows:]

STATEMENT OF L. STANLEY CRANE

Mr. Chairman, I appreciate the opportunity to be here today to discuss Conrail's 1982 results and our prospects for 1983, the year in which we are required to meet the profitability test of the Northeast Rail Service Act.

In 1982, Conrail demonstrated that, despite a severe downturn in business, it was able to make progress toward profitability. With the support of our employees and a strong cadre of managers in each key area of performance, we were able to control costs and achieve a relationship of expense to revenue which permitted Conrail to achieve profitability at a lower volume level than before.

As a result, Conrail was a stronger company in 1982 than it was in 1981. Under the existing economic circumstances, our service and financial performance was excellent. And, expecting no more than a modest economic recovery, we believe that we will continue the trend of improving financial results begun in 1981. However, effective expense control continues to be a critical factor in 1983.

For the year 1982, Conrail reported net income of $174 million, including $135 million from non-recurring items (sales of tax benefits and credit from settlement of accounts with commuter authorities and Amtrak). In 1982, Conrail realized net income from operations of $39 million, compared with $38 million in 1981 and a loss of $244 million in 1980.

Of particular significance, the 1982 profit of $39 million before unusual items was achieved despite a 20.5 percent decrease in freight volume and a $585 million reduction in revenues caused by the recession in business activity. In short, Conrail was able to match each dollar of revenue loss with a dollar of cost reductions.

Under the financial reporting requirements of the Interstate Commerce Commission for 1982, Conrail reported net income of $2 million -- its first annual net income ever reported on the ICC basis. These results include the income from the unusual items

I mentioned previously. In 1981, Conrail reported a loss of $107 million on an ICC basis.

Indeed, under the pressure of two years of continued downturn in the major industries we serve, our management team has taken those actions which enable a company to survive recession. Conrail is presently in a strong cash position, and, importantly, has not needed federal funding for operations or rehabilitation since June of 1981. Nor do we anticipate the need for such funds in the future.

Conrail benefitted substantially in 1982 as a result of wage increase deferrals negotiated in May 1981 with 15 of the 16 major unions representing Conrail employees. The agreement meant foregoing the first 12 percent of any wage increase negotiated in the 39-month national settlement. This wage deferral was complete by July 1, 1982. Our employees are now receiving pay increases in step with the industry, whether they are percentage increases or cost of living adjustments. The wage differential from the national settlement is sustained for the duration of the contract. Proportionate sacrifices have been made by our non-agreement employees.

Conrail also continued to benefit in 1982 from major legislation of prior years, including NERSA and the Staggers Act of 1980.

NERSA effectively addressed the problem of excess employees through one-time buy-out programs funded by the federal government. Partially as a result of these programs, Conrail's freight labor costs to freight revenues, on an ICC accounting basis, was 49.9 percent for 1982 -- the same rate as in 1981 -- despite the adverse effects of the recession on our revenues. The ratio in 1980 was 55.7 percent.

As you know, Conrail's role as contract operator for commuter services ended on December 31, 1982. As a result of the transfer of these responsibilities to commuter agencies, Conrail's labor force was reduced by about 11,000. The removal of these obligations permits Conrail to concentrate its financial and management resources on providing efficient services to its freight customers.

In effect, NERSA removed obstacles, which have hindered Conrail in accomplishing its primary mandate as a corporation: to earn a profit.

With the help of the Staggers Act, Conrail is now free to pursue its main line of business in a market environment that tests our skill in making business decisions. We believe that the Staggers Act is working as Congress originally intended in a way that encourages efficiency of service and price competition in the transportation marketplace.

One provision of the Staggers Act encourages transportation contracts between railroads and shippers. Conrail has led the industry in negotiating such contracts. These contracts guarantee annual revenue estimated at $300 million in 1983, and they assure our customers more stable freight car supplies and transportation prices.

We also selectively reduced prices to compete in key commodity areas, and restructured complex tariffs to be more responsive to customer needs in the rapidly changing market environment.

The ICC recently decided to approve our boxcar deregulation petition, and we look forward to its implementation. We have also filed with the ICC to allow us to cancel joint rates with other railroads where freight could move entirely on Conrail routes from origin to destination. We imposed surcharges on certain unprofitable traffic flows, and instituted proportional rates in place of noncontributory joint rates with other railroads.

For 1983, Conrail must have the ability to generate sufficient revenues to meet our expenses, including reasonable maintenance of necessary equipment and facilities, and to borrow sufficient capital in the private market to meet all of our capital needs, in order to meet the profitability requirements of NERSA.

We believe that Conrail's success in operating since mid-1981 without federal funding creates a strong basis for passing NERSA's financial tests. We are confident that, with some help from an improving economy, we can pass these financial tests. And we believe that the sale of Conrail as a viable, single entity is certainly the best possible resolution for everyone having an interest in the future of Northeast and Midwest rail freight service.

We are cooperating fully with DOT in developing the background needed by their appointed investment banking firm, Goldman, Sachs & Co., for handling Conrail's sale. Our Board has appointed a Transition Committee to assist management and the Board in dealing with any interested purchaser.

For Conrail, the year 1982 was a year marked not by big events, but by decisions, actions and results. Contributions made by our employees were a major factor in improving our performance, as was the ability of our managers to make the most of the opportunities in those markets Conrail can serve best at a profit.

In 1983, even with a modest recovery in the economy of the nation and our operating territory, we certainly can do better. I believe that our management team and employees can continue in 1983 to achieve the results that will enable Conrail to become a profitable railroad.

Thank you.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT W. BLANCHETTE, ADMINISTRATOR

OPENING REMARKS

Senator ANDREWS. Bob, you are next as the Federal Railroad Administrator. I suppose you are going to agree with what your friend said, probably add some wisdom of your own in your particular area of expertise.

Mr. BLANCHETTE. Mr. Chairman, I am pleased to say that not only do I agree with my statement, but, for a change, the Office of Management and Budget does.

Senator ANDREWS. That is amazing. That again is a rather significant first.

Mr. BLANCHETTE. We sent it over after 10 o'clock last night.

Senator ANDREWS. That is a technique I think I am going to have to share with the Secretary of Agriculture.

Mr. BLANCHETTE. Seriously, our statement basically says let us get on with the job. Everyone at this table reflects that view, by the way. It is so easy to say, well, now that Conrail is not taking in water, let us keep the ship afloat and we don't have to go to any particular port and we don't have to really do anything.

I think my statement just emphasizes that we can't really afford to do that. We ought not to do it. I think I speak for the chairman of the U.S. Railway Association as well as Chairman Crane, the three of us are dedicated to the proposition of putting Conrail into a private placement, in the technical nonsense of that word.

I am delighted that Conrail will have a profitable first quarter; at least the prospect of that exists. We are assuming that Conrail will pass both profitability tests. I think it would be virtually impossible for them to flunk the first test on the basis of the record as we now know it.

On that basis we are going forward on the sale as a single entity premise.

I may also say that if by some bizarre quirk that first profitability test is not passed, which I cannot believe to be the case, there is no mandate that the Secretary sell it in pieces. So that our scenario on the present state of facts is dedicated to the proposition that there will be the sale of Conrail, its divestiture from the Federal Government, as a single entity.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Thank you very much. We have your prepared statement and it will be inserted in the record.

[The statement follows:]

STATEMENT OF ROBERT W. BLANCHETTE

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear here today. DOT is charged with implementing the divestiture of Conrail pursuant to the Congressional mandate given us in NERSA, the Northeast Rail Service Act of 1981. That mandate also contains a preference for Conrail to be sold, if at all possible, as a single entity. In turn, the sale of Conrail as a going concern hinges on its profitability.

The divestiture of Conrail is the centerpiece of the Administration's policy to get the Government out of the railroad business. Indeed, it is well to examine the cost of Federal intervention, lest we be tempted complacently to slacken our efforts. Beginning in 1973, the United States embarked on a course of being the intervenor/owner/lender in the railroad crisis of the Northeast. Today, we are told that Conrail is finally generating a positive cash flow and will need no further direct cash infusions. However, the after-effects of massive Federal involvement continue to this day, in the principal form of labor protection payments, and commuter subsidies.

Federal financial assistance has been pervasive. First, it was necessary to support the operations of the bankrupt railroads until their properties were conveyed to Conrail by law. Then, a complicated and expensive system of labor protection was codified to protect the employees of the transferors. After conveyance, work was begun on the badly deteriorated tracks and equipment which Conrail had acquired. In addition, the Government had to pay for the properties which had been conveyed. To oversee the venture, the United States Railway Association was chartered and given an ample budget. The usual host of consultants attended upon the principals.

The costs of maintaining the former Penn Central Northeast Corridor passenger lines were assumed by Amtrak through the auspices of the Northeast Corridor Improvement Project, also Federally funded. Until 1983, Conrail--and therefore the Government--had the responsibility for operating commuter services. Exhibit I outlines the cost of the venture.

EXHIBIT I
HISTORY OF FEDERAL SPENDING ON
CONRAIL - NORTHEAST CORRIDOR RELATED ACTIVITIES
(millions $)

Fiscal Year	Operating Assistance to Bankrupt Estates	Conrail Operating Assistance	Labor Protection	Commuter Rail Service	Valuation Settlements	Sub-Total	USRA Admin. Expenses	Total	NEC 1/
Pre - 1976	548.4					548.4	—	548.4	
1976		309.3	26.1			335.4	21.5	356.9	20.9
1977		722.0	64.1			786.1	12.9	799.0	203.1
1978		734.7	73.3			808.0	22.1	830.1	320.5
1979		708.0	73.0			781.0	28.4	809.4	449.2
1980		641.0	13.5			654.5	27.9	682.4	347.2
1981		165.0	129.1		2,126.1	2,420.2	29.0	2,449.2	303.9
1982			195.6	24.7	644.8	865.1	8.3	873.4	314.0
1983 est			59.0	135.3	1.3	195.6	3.2	198.8	197.2
1984 est			20.0			20.0	.5	20.5	100.0
1985 - 88 est			35.0			35.0	—	35.0	—
Total	548.4	3,280.0	688.7	160.0	2,772.2	7,449.3	153.8	7,603.1	2,256.0
(Track)		(2,186.0)							
(Equipment)		(998.0)							
(Operations)		(96.0)							

Total Freight and Passenger 9,859.1

1/ Includes public grade crossing elimination

In ten years, the Congress has appropriated and we have spent more than $7 billion on Conrail and directly related items, more than $2 billion on the Northeast Corridor, in capital costs alone, and $154 million on USRA expenses. From an original appropriation of $1.7 billion in 1976, the total has grown to nearly ten billion dollars. This computation does not include tax and other concessions made by state and local authorities, or other items not readily identifiable.

However painful they are to recite, these figures are important to bear in mind. Conrail is now profitable; that result has come following a massive Federal investment and several false starts. Historians may argue whether the investment ought to have been made, or, if so, in the amounts involved. The answers to those questions will never truly be known. The job at present is to continue with unabated perseverance to end the public venture and begin the private enterprise.

Mr. Chairman, this completes my statement. I will be happy to answer any questions the Subcommittee may have.

U.S. RAILWAY ASSOCIATION

STATEMENT OF STEPHEN BERGER, CHAIRMAN

OPENING REMARKS

Senator ANDREWS. Mr. Berger, since your colleague just put words in your mouth, so to speak, we will give you time to speak for yourself.

Mr. BERGER. Thank you very much, Senator.

I also would like my remarks to be included as part of the record. I also agree with the previous remarks.

I suppose my role, and the role of the U.S. Railway Association (USRA), of course, is the role of the cautious optimist. I am concerned about the future and what is going to happen to the railroad in both this year and over the coming years. I think all of us are very impressed with the way Conrail has managed to deal in the last couple years with the downturn in the economy, how Mr. Crane and his management team and labor have worked diligently to gain cost control on that railroad.

It is a very impressive effort. Very few companies in this country have been able to handle cost controls with the decline in revenue the way Conrail has done.

PROPOSED SALE OF CONRAIL

The sale issue is a very important issue for this year. In my mind, frankly, the sale issue and the issue of rail service for the Northeast and the role that Conrail plays in the national rail picture are equally important, so that when we look at the sale issues we are looking not at a single transaction, but we are looking at a transaction which leads to the future.

I think we all agree—and this time I am going to try to put words in my colleague's mouth—that we are looking for a permanent sale. There is no return policy on the sale. We don't want it coming back to us.

Therefore, I think I am slightly more cautious as to what can be done in the short term. I am concerned about what the real economics are on the railroad.

I read Mr. Blanchette's statement, which he has submitted to you. He says that Conrail is now profitable. That is a question which the staff of USRA and all of us are going to be looking at very closely over the next few months.

IMPORTANCE OF PROFITABILITY STUDY

If I may just take one moment to say just a few words about the profitability study and its importance to all of us.

Since we are talking about a very complete economic transaction, the profitability study has never been a yes or no, thumbs up or thumbs down issue. Unfortunately, the answers won't be that simple nor can they be allowed to be simplistic.

I look at the profitability study, perhaps because of my background as an investment banker, as a due-diligence study. It is a due-diligence study for purchasers. It is a due-diligence study for the public and, perhaps more important, a due-diligence study for the Congress and for those of you who will have to view and measure the activities that will take place with regard to the sale.

It is a due-diligence study that will look for assurance that, in fact, any sale is a correct sale, however it is defined. If the sale cannot be accomplished now because of general economic conditions, the study will consider what the future of the railroad will be in terms of what the potential is and what the potential cost will be to the Federal Government.

There are a number of very significant questions which USRA will have to answer. For example, there is Conrail's traffic; the overall decline in rail traffic. The study will have to weigh what the current numbers and the current margins show, and what they mean for the carrier in terms of the future.

There is the big question, has Conrail's traffic bottomed out? Is an upturn under way, or do we have further down to go?

I don't know what the answer is. But it is going to be very important to the purchaser, as we determine and weigh the economics of this railroad.

PUBLIC POLICY QUESTIONS

When we talk about a sale there are so many questions that have to be answered. What are we selling? Also, there is a whole series of questions of public policy involved, including tax loss carry forward.

When the Government goes to a purchaser, or when Goldman & Sachs talks to purchasers, it will still have to be defined as to what exactly is being sold, and that will be very important to the purchaser who has to make a judgment as to whether or not it is a sensible investment.

All of us now, the USRA staff, the FRA staff, Conrail, and Goldman & Sachs, are trying to analyze the figures and trying to get a judgment as to what the figures tell us.

I must tell you that the numbers remain very tight and how you put together an economic package will weigh very heavily on what kind of economic transaction can actually be accomplished.

I am very concerned, since I don't think any of us want to have to deal with this problem in a new reincarnation, that the sale be final. The sale really is an end product of 10 years of concentrated Government activity and funding, and I suppose my final point is that because of the public interest, because of the congressional interest in what takes place, and because of the concerns of people in the region, shippers, other railroads, people in the States, that the sale process as it takes place will have to be an open process, that the buyers, public, and

Congress will have to be fully informed of the risks and the benefits involved. I share Mr. Blanchette's desire to see a transaction accomplished this year.

I also hope that we can do what meets all the appropriate questions and tests of a public interest. We are all going to work toward that goal very hard.

Thank you very much.

PREPARED STATEMENT

Senator ANDREWS. Thank you very much, Mr. Berger. We have your prepared statement and we will insert it in the record.

[The statement follows:]

STATEMENT OF STEPHEN BERGER

I appreciate the opportunity to appear here today to report on the status of Conrail and USRA's work. As the Committee knows we are not requesting a fiscal 1984 appropriation for the Association.

In the face of a precipitous decline in traffic volume in calendar 1982 compared with 1981, Conrail's financial results for 1982 nevertheless are extremely encouraging. On Generally Accepted Accounting Principles (GAAP) basis, Conrail generated operating income for the second consecutive year, although less than in 1981. Conrail had operating income of $45 million in 1982.

After the inclusion of non-operating and unusual items net income was $174 million in 1982 compared with $39 million the previous year. Cash flow from operations was a positive $433 million, an increase of $41 million over 1981.

In 1982 Conrail did not draw down any Federal Funds nor does it have any plans to do so. As provided by the Northeast Rail Service Act (NERSA), the Association accepted $139.1 million of passenger receivables of Conrail in exchange for a like amount of debentures. Also, Conrail redeemed $6.5 million of debentures in connection with the transfer of property and equipment to the commuter authorities.

The key to Conrail's success in 1982 was its ability to reduce expenses dramatically beyond that reduction normally associated with a decline in business volume. Thus in the past year Conrail was nearly able to match revenue losses with expense reductions on a dollar for dollar basis. In 1982 total operating revenues declined from 1981 by $564 million to $3.56 billion, including contract passenger services. Total operating expenses declined $542 million to $3.52 billion. Given the high fixed cost characteristic of rail transportation, Conrail's performance in 1982 was quite laudatory.

The severe competition in the transportation marketplace in 1982 kept the general level of rates only slightly above the previous year. Strict cost controls particularly in the areas of transportation and equipment contributed significantly to Conrail's unit profit margins. The average freight service employee count decreased 20.6 percent to 45,300 in 1982. However, early in 1982 as traffic declined, Conrail elected to continue its budgeted activities for both routine and programmed maintenance of way. Programmed track work production units achieved budget objectives in 1982, which exceeded 1981 production levels. Increased track work productivity permitted lower installation costs in 1982 than the previous year.

During 1982, Conrail's continuing implementation of expense reduction provisions enacted by the Congress in NERSA contributed importantly to its financial performance. Conrail also worked intensively to prepare for the transfer of its commuter rail services to the local agencies, and that transfer was completed successfully on January 1, 1983.

Conrail's 1983 budget forecasts an operating income of $126 million on a GAAP basis. Net income on a GAAP basis is expected to be $136 million and $21 million on an ICC basis.1/ The physical plant is in excellent condition and the railroad is well postured to take advantage of the leverage characteristic that an increase in traffic permits. An upturn in volume is projected for the second half of this year.

The two major assumptions in Conrail's traffic forecast for 1983 are cautious ones: that the national economy will grow 1.2 percent on a year to year basis and that Conrail's regional economy will continue to lose share of GNP as the East has in recent years.

Traffic volume of 177 million tons is expected to be unchanged from 1982 other than in the mix of commodities. Coal, chemicals and trailer-on-flat-car (TOFC) tonnage is expected to increase. Freight revenue is expected to increase 2.0 percent to $3.004 billion in 1983. Competitive pressure is expected again to hold down rate increases below the general rate of inflation.

1/ For calendar 1983 and years beyond the I.C.C. on January 26, 1983 authorized railroads to use ratable depreciation accounting for track structures in lieu of current costing under retirement-replacement-betterment accounting (RRB) heretofore prescribed by the I.C.C.

Projected operating efficiencies of $184 million are forecast to offset $174 million of cost inflation. These efficiencies occur primarily in operations, capital programs, fuel and freight car utilization. The projected efficiencies are quite realistic in view of the fact that a high proportion are in place as a result of programs initiated during 1982. In total, the budget is a realistic and cautious one.

In previous appearances before this committee I have stated that USRA believed that certain institutional changes had to be accomplished if Conrail were to be a self-sustaining entity in the marketplace. In the past year, significant strides have been taken toward this objective: (1) Conrail continues to make aggressive use of marketing flexibility provided by the Staggers Act; (2) Conrail has made excellent progress in cost control; (3) labor has made significant concessions that have permitted cost reductions and increased productivity; and (4) Conrail has been relieved of the managerial and financial burden of commuter operations as well as long term labor protection responsibility.

It has been a long, arduous road since the 3-R Act of 1973. But, Conrail's recent performance in the face of severe economic adversity augurs well for its future and is a tribute to Chairman Crane and his team. Conrail currently enjoys the reputation of being an aggressively managed, service oriented carrier. Nonetheless, Conrail faces difficult challenges ahead. Both the National and regional economy and key industries such as steel and automobile manufacturing will not provide the traffic volumes of Conrail's earlier years. The dynamics of competition from newly merged and potential rail systems as well as intense intermodal competition will severely test Conrail's ability to halt the long term traffic decline that it and its predecessors have experienced for more than twenty years. All of these factors will influence when and how Conrail can be returned to private sector ownership.

The Association's work program for this fiscal year and beyond is oriented principally to its statutory profitability determinations during calendar year 1983. The first profitability determination is on June 1, 1983 and a second after November 1, 1983. The outcome of these tests will affect the Secretary of Transportation's efforts to sell Conrail.

In preparation for the profitability determinations, the Association staff has undertaken several activities. This month the Association will be issuing an interpretive comparison report of Conrail and other U. S. railroads over the period 1977-81. The purpose of the report is to provide an industry-wide perspective on Conrail's opportunities to achieve further operating, productivity and profit improvements. It is intended that this analysis will be updated for 1982 results and be a valuable tool in USRA's June 1 profitability determination.

The Association has very recently received Conrail's preliminary long term forecast, the analysis of which will be integral to the profitability determinations this year. The forecast has been made with a base case and with high and low sensitivities. Simultaneously with the above activities USRA will complete a review of Conrail's 1982 performance, which will be an analysis of the nature and cause of change in Conrail freight operating margins 1981-82.

Turning to USRA's other major activity -- the valuation litigation with the bankrupt railroads that transferred assets to Conrail -- in 1982 USRA reached settlements with all estates except the Central of New Jersey (CNJ) and the Lehigh and New England (L&NE). Outstanding claims of these estates approximate $100 million plus interest accumulated since April 1, 1976, so the amounts in question continue to be substantial. The non-rail use phase of this litigation is drawing to a close. Oral argument is scheduled for March 16 and 17, and we anticipate an opinion from the Court by the summer. We are hopeful that opinion will define with sufficient precision the entitlements of these estates so that the parties can reach a settlement of the remaining issues. Therefore, we are not requesting any appropriations for costs for additional litigation. However, it is possible that CNJ and L&NE will seek to pursue further phases of this litigation.

EVALUATION OF THE ALASKAN RAILROAD

Senator ANDREWS. The Rail Safety and Service Improvement Act directed the U.S. Railway Association to evaluate the Alaskan Railroad.

What is the status of your evaluation?

Mr. BERGER. Senator, four of the staff members of the U.S. Railway Association are presently enjoying the winter climate in Alaska. We have a draft work plan which we have circulated among members of the Board. When the gentlemen come back from Alaska I will be meeting with them. We hope to have a work plan in place.

I have spoken with several of the Senators who have expressed direct concern over the value of the Alaska Railroad during the floor debate on the legislation. We are trying to expedite a work study plan and be able to report as soon as possible. I cannot report more until the staff members return.

Senator ANDREWS. What do you mean by "as soon as possible?" We have heard those words from a number of individuals. It means all the way from 1 week to a year and a half.

Mr. BERGER. It is not a week nor a year and a half. I have said, and it is difficult to give you an exact timeframe, I would like to see this over and done with—once I put a number on, it gets fixed in type—I would like to see this done in a few months, if possible, sooner rather than later.

I will know better what we have to work with when the gentlemen come back next week.

Senator ANDREWS. That is when you would like to see it done, but when would you expect to see it done?

Mr. BERGER. I expect to see my likes come to fruition. We will try to do this before——

Senator ANDREWS. Let us define your definition of "a few months." Two, three?

Mr. BERGER. I would like to see it done in 3 months, Senator. If at all possible, I would like to see this finished before spring—down here spring comes early. We Northeasterners——

Senator ANDREWS. Spring comes pretty quick.

GOAL ON STUDY'S COMPLETION

Mr. BERGER. I would like to see this done in the next 3 months, if possible.

Senator ANDREWS. You would expect to see it done then?

Mr. BERGER. I cannot answer that until the staff comes back from Alaska.

Senator ANDREWS. Your answer is also in type because you said your likes are your expectations.

Mr. BERGER. I will try to achieve that. I understand the need for expediting this. There are a variety of economic and political reasons why a speedy process is in the public interest and we will try to do that.

Senator ANDREWS. How are you financing the study?

Mr. BERGER. Perhaps Bob can answer that better than I can. The financing part is going to come from the revolving fund.

Senator ANDREWS. He was about to say something in any event, so probably it is fitting he tell us about the plan.

Mr. BLANCHETTE. I grew up as a young lad with the admonition never to antagonize majority whips of Senates.

I would like very much to urge in the strongest terms, as Mr. Berger would like to do, that our action coincide with the recess of the Alaska State Legislature. I am told that it is important to certain people in this institution that the State legislature be able to act on the evaluation.

I don't mean to prejudice the outcome of the evaluation, but would hope that the legislature could act on it before the recess.

In answer to your question, we signed either today or yesterday a $600,000 work plan agreement with USRA out of the Alaska Railroad Revolving Fund. If more is needed, we will find resources to do it, but they have not indicated more is needed. We want to proceed with expedition.

Senator ANDREWS. In other words, the study should depend not on the seasons of the year, but on the timing of the Alaska Legislature? That is what we have impressed on those who are doing that.

Mr. BERGER. We recognize that. I have said to the majority whip that I think it is important that when the study is presented that it resolve questions of fairness, that we do a job which everybody can look at and say it is fair. It is the only way to settle the problem. We don't want to have a continuing, festering political issue before us any more.

LINE OF CREDIT IN PRIVATE SECTOR

Senator ANDREWS. Does Conrail now have a line of credit in the private sector?

Mr. CRANE. We are in the process of attempting to establish that line of credit. The line of credit we hope to attain would be $100 million. It is being led by the Morgan Bank in New York. We hope to soon have that line of credit in, assuming we can meet the other requirements.

I know that our people were down talking to Mr. Blanchette yesterday to clear up some objections he might have had to it.

Senator ANDREWS. Would this outstanding debt adversely affect prospects for sale?

Mr. CRANE. In my judgment, it would not because, frankly, I don't expect we are going to draw down on that line of credit at all. It is simply, a life preserver in case some catastrophe occurs to the railroad where we didn't have access to public funding to carry us forward.

I don't look for us to use any significant quantity, if any, of that line of credit right now.

Senator ANDREWS. We just got through examining the timeliness of a study.

What is your best estimate, what is your hope for the time of Conrail's sale? What progress have you been making?

Mr. CRANE. Speaking quite frankly——

Senator ANDREWS. It is the only way you have ever spoken in your life.

Mr. CRANE. I support Mr. Blanchette's position 100 percent, let us get on with the sale of the company. Let there be no question about that.

The only thing I can say is that if it is to be what might be referred to as a normal sale where there would be a public offering or if some company came up to buy it, I think we are going to have to await at least some manifestation of a better earning capacity on the part of the company than it has at the present time.

Despite the fact that we did well, let us say we did better than we have ever done before, the years 1981 and 1982, we did not do well enough to really create a price-earnings ratio that would provide for any significant amount of money in the sale of the company.

Now, I assume that Mr. Blanchette and the Department of Transportation will be the people who will eventually set the sale price. I don't know what that sale price would be, but assuming that sale price is at the level of $1 billion or $1½ billion, why the company is going to have to have better earning performance before you are going to be able to find investors who are willing to put up that type of money.

Senator ANDREWS. You don't think it is too likely DOT will arrange to sell Conrail as a corporate entity prior to the first profitability determination that we understand might be made by the USRA Board on June 1?

Mr. CRANE. In my judgment, I do not believe it will.

Senator ANDREWS. In your opinion what characteristics would best describe the likely buyer of Conrail?

Mr. CRANE. Is that question addressed to me?

Senator ANDREWS. Whoever wants to answer it.

Mr. BLANCHETTE. The first characteristic, Mr. Chairman, is a deep pocket.

Senator ANDREWS. When you talk about deep pockets, does that mean that that potential purchaser's interest would primarily be in the tax attributes?

Mr. BLANCHETTE. No; deep pockets in the sense that Mr. Berger referred to and that is that there will be no refund on the sale. Remember that we have a trinity of interests to be served.

The first is the divestiture, the second is the maximization of the return, the third is the adequacy of service in the Northeast.

Now, in order to insure all of those things, we must be sure that the buyer will have the financial resources to abide the events which will happen. There will be lean years, and even in thick years there will be a need to keep the assets adequately maintained and replenished. A deep pocket is needed, not in the sense of up-front cash, but in the sense that the buyer must satisfy the public, including this institution, that that buyer or group of buyers will not be back on the courthouse steps when the first downturn in the economy occurs.

I think that is a characteristic that must outweigh all others. We are not going to jeopardize the shipping public and the consumers of the Northeast again voluntarily. So, we are going to be assured that there is an ability to gather the financial resources necessary to resist the economic pressures.

Senator ANDREWS. I understand your labor contract expires in May 1984. What impact would your future negotiations have on the sale of the company?

Mr. BLANCHETTE. I think it is fair to say that any buyer or buyers of Conrail will want to know the labor pattern that is to be obtained in the future within certain parameters.

I don't think they have to know exactly what every detail of every collective bargaining agreement has to be, but I think the buyer has to know what the role of the employees will be, what their expectations and demands will be and, in addition, what desires they have for equity participation.

We know that the Railway Labor Executives' Association is pressing very hard for an equity participation in the resulting company. We have to know what the employees' wage and work rule patterns will be, because without that I think we will not be able to maximize the return.

Every element of uncertainty lowers the price and reduces the number of buyers.

FISCAL YEAR 1984 BUDGET REQUEST

Senator ANDREWS. If Conrail is not sold and returned to the private sector by the end of the first quarter of fiscal year 1984 or if Congress should desire to make other arrangements for Conrail, USRA has stated, as we understand it, in their budget justification that they need $2 million for fiscal year 1984.

What would your plans be that require this level of funding and how many staff persons are needed?

Mr. BERGER. Senator, first of all, I did not make it very clear that we have not requested a continuation of a funding for the Association. The Association is scheduled to sunset, as you know. Any judgment made by the Congress to extend the Association, or policy decision made, is one which we would respond to.

My assumption is, and I have therefore resisted any effort to come up with a real budget for fiscal year 1984, we could provide the things that are necessary. I will tell you what I think they would be or someone could.

With a budget of approximately $2 to $3 million it would provide a slightly smaller staff than we now have. I think the policy decision, Senator, is the one that is crucial. Whether or not there is a need for continued monitoring is really the threshold question. It appears there probably would be.

How it is done, I don't know, because if Conrail is not sold, then the Congress and public will need some independent monitoring capability.

Senator ANDREWS. That is what you pointed out, if it is not sold, there is a contingency and if there is a contingency, you will need $2 million in 1984.

Mr. BERGER. And if it is the judgment that USRA should stay in business.

Senator ANDREWS. Couldn't these functions be done by other agencies such as DOT?

Mr. BERGER. Senator, that is really a congressional decision.

Senator ANDREWS. I know it is a congressional decision, but it has to be based, we would hope it would be based on factual information that would indicate to us whether it would be better to have it done in DOT or whether we could do it, shall we say, in better form and at less overall cost to the Government by continuing your shop.

That is the decision we have to make. That is why I am asking you the question, because you mentioned you will need $2 million if it wasn't sold and you were carried over.

Then, of course, the judgment of this subcommittee has to be based on would $2 million directed your way be a more advantageous way than adding slots to DOT?

Would we have to add job positions to DOT to do what you are doing or do they have enough people sitting around doing nothing to pick up what you have been doing?

NEED FOR INDEPENDENT CONRAIL MONITOR

Mr. BERGER. I don't know what the people in DOT do in that building and I am not in Washington often enough to be sure. The reason for an independent monitor historically has been the judgment by the Congress that an independent monitoring agency is one which has some flexibility and some freedom to make evaluations and is not driven by any particular administration timetable of whatever party.

My judgment is that the independent functions that USRA has provided historically have been very useful in creating guidelines and judgments and assistance to the Congress. USRA was very useful in helping the debate which resulted in the Northeast Rail Service Act, for example.

I think that there will be a need for an independent monitor to watch if Conrail is not sold, to warn against any deterioration in the company's financial side.

If it is sold and if there is an effort to sell it, the advantage of an independent agency is that if the Department of Transportation is the selling agent, then it is useful to Congress to have an independent monitoring agency which has the capacity to review a transaction and to give comfort to the public and to Congress as to the nature of that transaction, and the appropriateness of the transaction.

I am reluctant, because of my history and my reaction to the continuation of agencies, to press for the continuation of any agency, including my own.

If we are asked to perform those functions, I believe we can do it and provide the independent judgment that is necessary. That is really what is appropriate for me to say.

FUTURE PLANS FOR USRA

Senator ANDREWS. Since really your last chore, if Conrail is sold, is the Alaskan rail study, what plans are you formulating for the sunset of USRA?

Mr. BERGER. We have reduced our staff considerably. We are now down to somewhere between 30 and 40 people. We are planning to appropriately reduce the staff further so that the agency would sunset. That does raise a point.

If in fact there is a desire to keep the independent monitor and USRA is that agency, it would be important in order to maintain the core professional staff capability that is necessary to perform those functions to be so directed sooner rather than later. Because, frankly, we have some superb people who could find other placement primarily in the private sector, in railroads, and in financial institutions. If we are going to be asked to perform a function, I would like to try to go to these people and say don't take jobs, but keep yourselves available.

So, in a sense we are operating on an assumption that we should continue to encourage people, once our job is done, to find placement outside. If I am going to put a brake on that process, I would prefer to do that sooner rather than later to insure that we not only have an agency with a name and a board, but we have a staff capability to perform the functions that the Congress has asked us to perform.

Senator ANDREWS. Mr. Blanchette, do you agree with all of this?

Mr. BLANCHETTE. I don't disagree. I look at it through a different lens.

Senator ANDREWS. I thought so. Your brow was becoming furrowed a few moments ago. That is a great thing about having three separate and totally competent individuals in front of you at one time. You get all manner of comments on comments.

Mr. BLANCHETTE. I don't disagree in terms of what enlightenment USRA has shed in the past. I don't want to take on that retrospective analysis.

I would say that as a humane matter, I would not urge anyone to stay with USRA and forfeit a lucrative job in the private sector, because I believe that we are building at Conrail that kind of independent analysis in the future.

I am not talking about tomorrow, I am talking about fiscal year 1984 and thereafter. I think we ought not to denigrate the professionalism of the Conrail Board of Directors, the independent stance of Mr. Crane as the Manager of Conrail and the professionalism and integrity of Goldman & Sachs as our investment banker.

I think that if we don't sell Conrail and we will not sell it before the first of June, there is no question about that as we look in the future. If for some reason the sale has not been consummated, I don't know that we will need that organization.

I am not answering your question. Your question is somehow if Congress makes a different determination, and I don't know what that determination is, or sets a different policy other than divestiture, then I would have to revisit the question.

But as I look down from my lens, I don't see Conrail turning into a shambles. I see an increasing professionalism being built on the Conrail Board. I think Mr. Crane has represented in a number of forums, including this one, that he works well with his Board and wants to have that Board reconstituted with its present membership by and large because he is satisfied with the guidance and the spirit of that Board which is building an expertise of its own.

The people on that Board are exceedingly professional men and women and exceedingly independent, in my judgment. So as I look down the future and absent some congressional reversal of the divestiture mandate and absent some congressional negative vote, which I don't envisage, then I don't see that we ought to be worried about continuing USRA through 1984.

I speak not, however, of the valuation case because I am not in that business.

SECTION 701 LABOR PROTECTION FUNDS

Senator ANDREWS. Along a little different line, Mr. Crane, how much of section 701 labor protection funds remain available?

Mr. CRANE. I think there is something like $40 million of that; however, that program is administered by the Railroad Retirement Board.

Senator ANDREWS. What would be the impact of the sale of Conrail in pieces on the need for 701 funds?

Mr. CRANE. I guess it depends on the manner in which it is sold. I don't know that I can give you a specific answer right now.

Senator ANDREWS. If you provide some information for the record.

Mr. CRANE. I will do that as an addendum.

[The information provided below was prepared by the Federal Railroad Administration for Mr. Crane in response to Senator Andrews' question:]

SECTION 701 LABOR PROTECTION FUNDS

Senator ANDREWS. Along a little different line, Mr. Crane, how much of section 701 labor protection funds remain available?

Response: The section 701 employee protection program is fully implemented. The Railroad Retirement Board has paid out approximately $68 million in benefits. There has been a total of $105 million appropriated for section 701, thus leaving an available balance of $37 million. Over the long-term, the $270 million authorized should be sufficient to cover foreseeable needs.

Senator ANDREWS. What would be the impact of the sale of Conrail in pieces on the needs for section 701 funds?

Response: The Department is committed to selling Conrail as an entity, and therefore no estimate has been made of the labor protection costs that would result under other alternatives. Any meaningful estimate of these costs would have to be derived from a particular breakup scenario, and an estimate of the number of employees that would be transferred to the acquiring carriers. However, the $400 million authorized by NERSA for title VII labor protection was intended to cover all possible arrangements for the transfer of Conrail to the private sector.

LINE ABANDONMENTS

Senator ANDREWS. The Northeast Rail Service Act of 1981 provided that an expedited line abandonment process be in effect in November 1982. This subcommittee has always been interested in line abandonments and how these areas are to be served.

We understand Conrail has made great use of these abandonment provisions and has abandoned over 1,800 miles of track as of March 4, 1983.

How much have these abandonments saved Conrail?

Mr. CRANE. I think I would have to again give you a specific answer on that subsequently. The substantial amount of money that has been saved is in the cost that would have been required to rehabilitate the line with cross ties, rail, et cetera.

Senator ANDREWS. Don't you get a balance between how much it would cost to rehabilitate and the freight loss saved?

Mr. CRANE. Up to the present time the amount of trackage that has been abandoned I think represents something like 15 percent of the system and the amount of revenue that was lost is about 1 percent of the total revenue.

I am perfectly sure that when we give you the number, the amount of rehabilitation cost saved will be substantially greater than that 1 percent of revenue that we lost.

Senator ANDREWS. How have the communities in the area where these abandonments have occurred been affected?

Mr. CRANE. We have some numbers on that. If you will let me say, I will give you a subsequent document.

I will say this, that we do know that of the lines on which there was continuing railway service—you may recall there were some 55 lines that had no service on them for at least a couple of years that the abandonment procedure permitted us to move on, that was about 355 miles of track—the balance of them, almost 40 percent of the lines that we have abandoned have been taken up by short-line operators and that service has continued to be provided to those communities by short-line operators and we will give you a statement on that.

[The information follows:]

Review of Conrail Abandonments

I. Scope of Abandonments

Question I. Conrail has filed for abandonment of numerous miles of branchlines under NERSA. How many miles have been abandoned, and how many are likely to be abandoned in the future?

Response: NERSA provides two distinct phases for facilitated Conrail branchline abandonments: (1) lines filed for abandonment prior to December 1, 1981; and (2) lines subsequently filed through October 1983. In addition, Conrail requests an extension of the NERSA provisions for abandonment for an additional two years.

Listed below are the abandonments filed to date, and our expectations regarding the miles of lines to be filed during the remaining time available under the NERSA provisions. It should be understood that an extension of the NERSA abandonment provisions would permit Conrail to defer some of the abandonments projected for the remainder of 1983 until 1984 or 1985 when the economic analyses of lines being studied would be more reflective of the recovering economy of the northeast.

Conrail Abandonment Filings Under NERSA

Prior to December 1, 1981	2,600 miles
12/01/81 to date	140 miles
To date through October 1983	1,060 miles
Beyond October 1983 (Estimated)	0-600 miles

II. Disposition of Lines Filed For Abandonment

Question: Conrail filed for the abandonment of 2,600 miles of line prior to December 1, 1981. Of this mileage, how much abandoned and how much remains in rail service through the subsidy and sale provisions of NERSA?

Response: As indicated below, Conrail divested itself of 2,600 miles of railroad in the abandonment period prior to December 1, 1981. Of this 2,600 miles of lines, only 1,050 miles were inactive rail service at the time of filing for abandonment.

A. Conrail Abandonment Filings Under NERSA

Status	Miles
Sold for continued rail service	740
Service continued under subsidy contract	10
Abandoned (of which 800 miles were not in active service when filed for abandonment)	1,850
Total mileage filed for abandonment	2,600

III. Estimated Savings From Abandonment

Question: How much have these abandonments saved Conrail?

Response: Based on an analysis of those lines filed prior to December 1, 1981, Conrail derived the following savings:

Annual Savings	$3.9 million annual deficit eliminated in service to these lines.
One-Time Savings	$62 million of future rehabilitation required on the abandoned, sold or subsidized lines.
One-Time Benefits	$27 million in proceeds from line sales to date.

IV. Benefits of Abandonment vs. Loss of Freight Revenues

Question: Has Conrail balanced the savings from abandonment against the freight revenues lost?

Response: Yes, Conrail must evaluate the net benefits derived from its abandonment program. The total savings and efficiencies gained from abandonments must substantially exceed the loss of freight revenues.

To date, the abandonment efforts have been extremely beneficial: Conrail has successfully divested itself of 14.7 percent of its system route mileage and the costs associated therewith at a net loss of less than 1 percent of its total revenues. Conrail has retained in excess of 54 percent of the traffic potentially affected by abandonment through direct Conrail interchange with new railroad operators, at compensatory interchange rates. In addition, abandonments have produced one-time, immediate benefits in excess of $85 million, compared to a potential maximum revenue loss of $32 million. Much of the business constituting the $32 million potential revenue loss will continue in direct or indirect Conrail service through our joint efforts with the affected shippers to: (1) relocate the affected firm and/or its rail access to viable Conrail lines; (2) shift their freight transportation to Conrail intermodal service--"flexi-flo" (bulk rail to truck transfer via pressurized equipment) or truck trailer on rail flat car service; (3) serve the affected shippers' suppliers at distribution centers; and/or (4) interchange with carriers who are the direct service to abandoned shippers and ultimately interchange with Conrail to route the traffic to its destination.

If Conrail chose to retain the 2,600 miles of branchlines that were filed for abandonment by December 1, 1981 (14.7 percent of the system's route mileage), Conrail would have retained freight revenues of $58.1 million (1.7 percent of the system's total). However, to preserve these freight revenues, Conrail would have incurred an annual long-term variable cost of $62.0 million that would have resulted in an annual deficit of $3.9 million. Also, Conrail would have been required to invest $62.3 million in capital rehabilitation funds over 5 years to maintain those lines at minimal federal safety standards. At least 85 percent of these capital funds would have been required in the first two years of continued operation.

Conversely, under the abandonment activity permitted within NERSA, Conrail successfully avoided these substantial capital investments and annual operating deficits, while simultaneously preserving Conrail's participation in a large majority of the affected traffic -- now traveling on Conrail at compensatory rates.

The sale of abandoned branchlines to alternative operators and establishment of a few subsidy contract operations have preserved direct, local rail service for over 66 percent of the carloadings potentially affected by the Conrail abandonments. While some of the sales have resulted in continued operation without direct Conrail interchange (a few abandoned and sold lines have been connected to other railroads for interchange), 54 percent of the total potentially affected carloadings remain in direct Conrail interchange at compensatory rates -- retaining for Conrail $26.4 million in revenues (net of any allowances now given to the new operators).

In summary, the initial Conrail abandonments under NERSA legislation have produced significant net benefits for the railroad:

Benefits and Costs of NERSA Abandonments

Benefits	Costs
--$3.9 million annual operating deficit eliminated	$31.7 million on non-compensatory freight revenues foregone.
--Minimum of $26.4 million in annual freight revenues retained at compensatory rates.	
--$63.3 million in one-time savings in avoided capital rehabilitation.	
--$27.0 million in one-time proceeds from line sales to date.	
--As yet unquantified benefits from salvage of reusable or scrap track materials and sale of real estate.	

V. Purchasers/Operators For Continued Rail Service on Conrail's Abandoned Lines

Question:	Of the lines sold for continued operation, which would be taken over by short line operators? Were these short line operations formed by shippers, consortia of shippers, or by state and local groups?
Response:	Purchases and subsequent operators of Conrail lines filed for abandonment cover a broad spectrum of owners and service providers; in some cases, the purchasers are not the operators of the rail service:

Purchasers of Lines Filed For Abandonment

--27 percent public (state/local)
--18 percent shipper (individual/consortium)
--54 percent rail operator
-- 1 percent miscellaneous

Operators of Lines Filed For Abandonment

--61 percent short line
--31 percent Class I
-- 7 percent other or unknown
-- 1 percent Conrail

The foregoing distributions (in terms of percentage of the total number of line sales rather than carloadings, revenues, etc.) reflect Conrail's knowledge of the purchaser and operator for each sale. Attached is a list of the various owners and operators of the lines sold by Conrail under NERSA. Further analysis of who the owners and operators are is difficult, if not impossible, for Conrail. As a condition to a NERSA sale it is not necessary for Conrail to understand totally the often complex financial and legal relationships among groups often formed specifically for the rail conveyance and subsequent operation.

VI. Effect on Local Communities on Conrail Abandonments

Question: What has been the impact on local communities where Conrail has abandoned lines?

Response: It is perhaps gratuitous and presumptuous for Conrail to offer comment as to the local impact of our abandonments. A rather exhaustive review of scholarly literature concerning the effects of previous railroad abandonments has not documented serious adverse local impact.

Conrail's perspective on the recent NERSA abandonment is formulated by the fact that 66 percent of the potentially affected carloadings retained access to local rail service through alternative rail operators, as previously mentioned. Although two-thirds of the carloadings potentially abandoned still have access to local rail service, it must have been at some additional cost to those who have financed the acquisition, rehabilitation and operation of these rail lines.

In addition to the rail service preserved through subsidy and sales, we are aware that many of the potentially affected shippers have shifted to alternative rail service or intermodal service.

From our experience, many of the adverse effects of abandonment have been successfully mitigated through the preparedness and quick response of the local and state agencies to assist the shippers and communities through a variety of forms of financial assistance. Beyond this, Conrail cannot comment any further on the local effects.

LINE SALES UNDER NERSA

Case No.	Purchaser
65925	City of Passaic, New Jersey
66371	Jenkins Township Luzerne County, PA
66391	Indiana Hi-Rail Corporation 504 W. Main Street, Lebanon, IN 46052
66488	Southern Railway P. O. Box #1808, Washington, DC 20013
66506	S. M. Pinsly Company 100 Federal Street, Boston, MA 02110
66511	Boston & Maine Corporation Iron Horse Park, North Billerica, MA 01862
66518	Missouri Pacific Railroad Company 210 North Thirteenth St., St. Louis, MO 63103
66529	Commonwealth of Massachusetts 1 Ashburton Pl., Rm. #1610, Boston, MA 02108
66534	The New York Susquehanna & Western Railway Corp. One Railroad Avenue, Cooperstown, NY 13326
66535	Southern Illinois Railway Investors Corporation 414 Mulberry Street, Mt. Carmel, IL 62863
66546	County of Cattaraugus I.D.A. 303 Court Street, Little Valley, NY 14755
66548	County of Worcester, Maryland Room #127, Courthouse, Snow Hill, MD 21863
66549	SIRS, Inc. 151 Morgan Street, Shelbyville, IL 62652
66552	Mt. Vernon Distribution Center, Limited 10 Pittsburgh Ave., Box 990, Mt. Vernon, OH 43050
66561	The Germantown Rail Siding Company 548 N. Cherry St., Germantown, OH 45327
66566	Kankakee Scrap Corp. & Belt Rte. Whse. & Storage Co. Kankakee, IL 60901
66568	Brockway Glass Company, Inc. Brockway, PA 15824
66570	Providence & Worcester Railroad Company One Depot Square, Woonsocket, RH 02895
66575	Amherst Industries, Inc. Landisville, PA 17538
66581	Dura-Bond Protective Coating Company, Inc. P. O. Drawer #518, Export, PA 15632
66585	General Fuller International Corporation 2040 Avenue C, Bethlehem, PA 18001
66587	Morrisons Cove Railroad, Inc. 106 S. Railroad St., Martinsburg, PA 16662
66598	F. R. Orr Grain Company 500 Railroad Avenue, Kankakee, IL 60954

Case No.	Purchaser
66599	Commonwealth of Massachusetts 1 Ashburton Pl., Rm. 1610, Boston, MA 02108
66600	Genesee & Wyoming Railroad Company 3846 Retsof Road, Retsof, NY 14539
66605	IWK&J Railroad Company P. O. Box #8, Warren, PA 16365
66606	County of Wayne Wayne Co. Court House, 26 Church St., Lyons, NY 14489
66617	Pocono Northeast Railway, Inc. 81 W. Union St., Wilkes Barre, PA 18701
66637	State of OH - Ohio Rail Transportation Authority (ORTA) 30 E. Broad St., Suite #3414, State Office Bldg., Columbus, OH 43215
66666	Michigan Department of Transportation P.O. Box #30050, 425 W. Ottawa, Lansing, MI 48909
66667	ITT Grinnell Corporation 1411 Lancaster Avenue, Columbia, PA 17512
66676	Prairie Central Railway Suite 1042, 217 Oak Drive, New Lenox, IL 60451
66688	Sterling China Company Twelfth & Commerce St., Wellsville, OH 43968
66690	Montel Metals, Inc. P. O. Box #99, Borden, IN 47106
66695	Peabody Coal Company, Eastern Division P.O. Box #1981, Henderson, KY 42420
66726	The Baltimore and Ohio Railroad Company 100 North Charles St., Baltimore, MD 21201
66727	The Baltimore and Ohio Railroad Company 100 North Charles St., Baltimore, MD 21201
66731	The O'Brien Machinery Company Green & Washington Sts., Downingtown, PA 19335
66743	Delaware Transportation Authority P. O. Box #778, Dover, DE 19901
66766	Central Pennsylvania Chapter of the National Railway Historical Society c/o Time Markets, Inc. 2015 Market St., Lewisburg, PA 17837
66771	Amherst Industries, Inc. Landisville, PA 17538
66782	Commonwealth of Massachusetts One Ashburton Pl., Rm. #1610, Boston, MA 02108
66846	Tonawanda Island Railroad Corporation 37 Fulton St., Buffalo, NY 14204
66868	Pocono Northeast Railway, Inc. 81 W. Union St., Wilkes Barre, PA 18701

SHORT-LINE OPERATORS

Senator ANDREWS. This 40 percent of the lines that you abandoned that were picked up, were they taken over by short-line operators?

Mr. CRANE. Short-line operators.

Senator ANDREWS. Were they formed by groups of shippers or by the States or other local groups?

Mr. CRANE. Generally they were provided by individual entrepreneurs who were interested in upgrading the railroad and thought they could do it.

In some cases there were consortiums of shippers who selected an individual to operate the railroad.

Senator ANDREWS. If you have the opportunity, we would appreciate very much if you could provide that for the record so that we could find what type of local shippers, local groups, or local consortiums they were.

Mr. CRANE. We will.

The act provides that we must complete all this by October 1983. We have had some discussions with Members of the Congress about the permission to continue the abandonment program for maybe 1 or 2 years beyond that.

The reason we are interested in trying to do that is that we have held back on the decision on many line segments because the business years of 1981 and 1982 gave a depressed revenue figure which was not really a good number and we have felt that if we could have a little bit more time rather than be rushed into it, by the end of this year we might be able to make a more businesslike judgment about portions we need to keep and what portions we need to give away.

We will be talking to some Members of Congress about that in the event there is some legislation which will permit us to do that.

We believe we also have the support of the Railway Labor Executive Association on that program.

INTERMODAL TRANSPORTATION

Senator ANDREWS. Earlier in a series of hearings we got onto the issue of intermodal transportation and the ICC recently repealed its special circumstances doctrine which limited the ability of railroads to operate trucking companies. I know that Conrail already has a trucking subsidiary.

Do you have any plans to expand that in view of the ICC decision?

Mr. CRANE. We have only limited plans. As you know, we have a subsidiary called Penn Truck Lines which has trucking rights in a number of States. We are in the process under the revised law of expanding the trucking rights to that.

I would have to say this, Senator, that we believe that it is inappropriate—whatever regulatory constraints might be presently in place—to prevent a railroad company from getting into the trucking business or a trucking company from getting into the railroad business so that the free marketplace would be the place where it would be determined which way we would go.

Now speaking from Conrail's standpoint specifically, we don't know very much about how you really run a truckline even though we have one. Whether there is a potential to provide true intermodalism or not, I think you are going to wait for the free marketplace to determine it for us.

Senator ANDREWS. And whoever takes over Conrail down the line?

Mr. CRANE. That is correct, sir.

Senator ANDREWS. Based on your many years of experience in the transportation business, what is your assessment of where our country is going today with respect to transcontinental railroads and total transportation companies and transportation coordination in general?

Is it going to be healthy to have this interlocking connection between the various modes of transportation?

Mr. CRANE. I don't think it would be very unhealthy. I guess what I am saying to you is that there are sufficient numbers of operators in each mode that regardless of what consolidations might be achieved between railroads and trucklines, there is ample competition between the consolidated groups that the shipper would be properly served—there is no question about that in my mind—and competition for price and for service would still be maintained.

Senator ANDREWS. Do you think that these are healthy developments for shippers, carriers, and for the American people?

Mr. CRANE. Yes, sir, I do.

Senator ANDREWS. Is there any role that you anticipate that the Congress or the Federal Government should play in the promotion and regulation of intermodal transportation?

Mr. CRANE. I think that the role that needs to be played is to remove whatever other regulatory constraints are involved in railroads getting into the trucking business or trucklines getting into the railroad business, and although I have not mentioned the bargelines, I think they ought to be permitted to get into that area too. That is, bargelines could well get into the railroad business so far as I am presently concerned.

I think you ought to break down whatever regulatory barriers prevent that one mode from consolidating with another one.

Senator ANDREWS. Mr. Blanchette, do you have any comment on that.

Mr. BLANCHETTE. Speaking personally, and I want to emphasize it is a personal observation because the administration is now pondering these matters, personally I could not agree with Mr. Crane more.

Senator ANDREWS. You had that satisfied look on your face.

Mr. BLANCHETTE. I see you notice my brows. I will wear a mask the next time I testify.

Senator ANDREWS. I don't know whether we should tell you what those of us on this side of the table do. When we look out there we have that blank look on our faces.

Mr. BLANCHETTE. I would hate to play poker with you, Mr. Chairman.

CONRAIL VIEWED AS A MERGER PARTNER

Senator ANDREWS. Mr. Crane, we talked about the expansion of the unfettered moves that can be made in transportation, in your opinion, is it reasonable to anticipate that a potential purchaser of Conrail may view Conrail as a merger partner to complete the national rail system?

Mr. CRANE. I didn't hear the last part of that.

Senator ANDREWS. Do you anticipate that a potential purchaser of Conrail might view Conrail as a merger partner to complete a national rail system? Is this the type of deep pocket person that Mr. Blanchette might be looking for, although I don't know of any rail system that has deep pockets? Maybe they have a deeper pocket than they tell us.

Mr. CRANE. Let me say in my personal opinion I think it is important for another railroad to buy Conrail which I believe is the question you asked me.

USE CONRAIL FOR A TAX WRITEOFF

Senator ANDREWS. Earlier on I asked Mr. Blanchette if it was possible that someone who was looking for tax writeoffs would be the key person interested.

The question to you, of course, is some other railroad that can find additional income potential from the tie-in with Conrail.

Mr. CRANE. I think that would be the strongest motivational force. In other words, in my judgment—and this is just a personal opinion, you understand—I doubt that there are going to be very many buyers who are going to seek Conrail solely for the tax benefits that might accrue from the purchase of Conrail.

I think one of the reasons for that, and I am not as well qualified as some other speakers might be, I think the IRS might well take a very close view of that to determine whether their best interests are being served by permitting those tax benefits to flow to that potential purchaser.

It seems to me any purchaser who bought the company would be primarily interested in the revenue and profit potential production out of the company.

I think a Western railroad or Southeastern railroad might well meet Mr. Blanchette's requirement for a deep pocket, because they would have the resources to continue to operate the company in a downturn in the economy as well as an upturn in the economy.

PROFITABILITY TEST ON CONRAIL

Senator ANDREWS. The whole sale hinges to a certain degree on the profitability test that USRA is going to be making on Conrail this year.

What progress have you made in deciding what criteria will be used to measure profitability? I imagine that is a decision you have over in USRA.

Mr. BERGER. You have three of the members of the USRA Board and Mr. Blanchette representing the Department sitting here. We are still discussing and will continue to discuss final criteria.

The staff has been working on a series of studies aimed at providing information and data around which the profitability determination can be made. We are in the process of preparing a comparison study of Conrail and some of the other class I railroads.

We are going to be looking at financials. I can't say at this point that we have a final determination on what the criteria will be.

I tend to approach it as an investment banker. I agree with what my colleagues have said, looking at this as to how a purchaser would look at a rail system in terms of profit, what the long-term profit outlook would be, what the margins are, and what the potential for increased revenues will be on the railroad.

We all share the concern of having a final sale and being sure that the numbers that are produced are the numbers that give comfort, that the long-term capital need of the railroad can be met, that there can be a margin produced.

ROLE OF RAIL LABOR IN SALE

I think we have to come back—this is not a direct answer to the question, but I think one of the points Mr. Blanchette made is absolutely the central point to the future sale. I don't think it should be passed over and that is the role that rail labor will play in any sale either as an equity participant or even as a primary purchaser. Labor's role will be central to the future of what happens in the Northeast rail system and Conrail.

They can play an enormous role on both sides of that transaction. The more one looks at the financials as they are developed, the role labor plays either as purchaser or on the wage side, on working conditions in terms of work force, is central to any discussion that is going to be held with any purchaser, and with rail labor itself.

It will be an essential piece of what takes place in the next few months.

Senator ANDREWS. I understand you are going to have two tests, roughly the first one on whether Conrail might achieve profitability and the second one whether they have achieved profitability. That is a neat division.

Are you going to use the same criteria in both tests?

SECOND PROFITABILITY TEST MANDATED

Mr. BERGER. I understand the first test and the value of the first test.

The second test is one which we have been mandated to perform. It measures a short period of time. I must tell you now, speaking personally, I have never felt that that second test as framed in the legislation is necessarily that meaningful since it will really measure a very narrow window. We will meet the mandate that is placed on us.

Senator ANDREWS. In other words, what you are telling the committee and, through the committee, the general public, is that when this first test is announced, essentially that is it, the jury is in?

Mr. BERGER. No; I think the first test, which is an effort at looking at the profitability on a long-term basis, is a crucial study.

Senator ANDREWS. That is what I said, that is it, the jury is in, they don't want to wait around for what is coming down the line from the second test?

Mr. BERGER. That is my personal judgment. My personal judgment is that the second test as it is presently constructed, measuring a short period, will not add that much to what we learn in terms of the first test.

SUBMITTED QUESTIONS

Senator ANDREWS. You have been most helpful. I have a number of other questions that we can ask for the record.

Senator Chiles has some questions to be answered for the record. It may well be that other members of the committee similarly would like to submit questions for the record.

It is good to have you up here and congratulations to all of you for the job you have been doing.

Let us hope during the next year we will see the announcement that Conrail has, in fact, been sold as an entity, preserved unit that can continue its transportation function.

Mr. CRANE. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED TO CONRAIL BY SENATOR ANDREWS

CONTRACT RATES

QUESTION: Conrail has been recieving a lot of publicity over its use of contract rates as well as of other rate-making flexibilities authorized by the Staggers Act. Last year Mr. Crane testified that Conrail had filed 53 contracts at the ICC. How many contracts is Conrail currently engaged in and what are the major commodities that these contracts cover? How many of these contract rates do you expect to be involved in over the next year?

RESPONSE: As of March 17, 1983, Conrail was engaged in some 335 transportation contracts. These contracts cover a great number of commodities including coal, iron ore, limestone, iron and steel products, scrap iron and steel, automobiles and automobile parts, grain and grain products, corn syrup and corn sugar, industrial sand, chemicals, petroleum products, copper products, canned foods and paper products.

A conservative estimate of Conrail's contract activity over the next year would be that we will file approximately 10 new contracts per month, giving us some 450 to 500 contracts one year from now.

CAPITAL PROJECTS

QUESTION: What Capital Improvement projects, maintenance and safety programs has Conrail undertaken during the past year. Please provide an update of the Table on page 101 of last year's record.

RESPONSE: The following are Capital Improvements in 1982 to improve safe railroad operation:

	MILLION
Communication & Signal Projects	$ 13.4
Safety & Environmental Projects	2.0
Bridge & Tunnel Program	6.1
Rail Improvement Program	23.1
Pier #124 Retarder Project	3.8
TOTAL	$ 48.4

Proposed for 1983:	MILLION
Communication & Signal Projects	$ 40.9
Safety & Environmental Projects	7.5
Bridge & Tunnel Program	4.2
Rail Improvement Program	18.0
Total	$ 70.6

Revised Table Page 101

Year	Dollars (In Millions)	Millions Ties Installed	Miles of Rail Laid	Miles of Track Surfaced
1980	$ 229.0	1.63	476	8970
1981	210.0	1.60	320	7408
1982	223.3	1.63	440	8202
1983 (Projected)	184.0	1.20	350	5500

Currently, Conrail has 291 hot box detectors and 705 dragging equipment detectors functioning on its network which includes 6407 miles of core routes.

CONRAIL'S PERFORMANCE

QUESTION: Please provide a history of Conrail's revenues, expenses and federal funding for the last five years and projections for 1983 and 1984.

RESPONSE: The following is a brief history, as requested:

($ Millions)	1978	1979	1980	1981	1982	1983	1984
Freight Rev.	$2987	$3358	$3297	$3483	$2945	$3004	$3258
Oper. Exp.	3375	3541	3486	3416	2900	2878	3080
Net Income (Loss)GAAP	(430)	(221)	(244)	39	174	136	166
Federal Borrowing (For Preferred Stock)	$ 774	$ 729	$ 490	$ 135	-	-	-

COMMUTER TRANSFER

QUESTION: On January 1, 1983 Conrail's commuter operations were transferred to local commuter authorities and to Amtrak. Conrail was to have transferred certain inventory items and properties without charge to the other operators. Please provide a listing, by commuter authority, of items and properties transferred without charge as well as with a charge. Include the amounts received for items and property transferred with charge.

RESPONSE: A listing of the items and properties transferred can best be seen from the attached copies of the appendices to the transfer agreements with MTA/CDOT, NJT, and SEPTA.

Under NERSA, all the assets identified were transferred without consideration, with the exception of inventory. We have not yet received payment for the inventory, but payment is expected to amount to between $12 and $13 million.

[CLERK'S NOTE: The appendices referred to are available for review in the subcommittee files.]

ATIP AGREEMENT

QUESTION: I understand FRA has completed licensing agreements with Conrail and Amtrak for use of the Automated Track Inspection Program (ATIP) vehicles for track inspections. What are the details of your agreement and how does Conrail plan to use the ATIP vehicle?

RESPONSE: Conrail consummated a licensing agreement with the FRA for the use of one (1) track geometry measurement vehicle, DOT T3 on January 17, 1983. Copy attached for your information. It is our intention to use the car in regular scheduled testing surveys until September 1983.

[CLERK'S NOTE: The information referred to is available for review in the subcommittee files.]

Essentially, this agreement states that Conrail, in support of its track maintenance program, shall at is own cost and expense, operate, maintain, and keep the vehicle in good working order, condition and repair. We also hold the FRA harmless from liability claims arising from operation of the car and monetary loss caused by any loss, theft of, or damage or destruction to the vehicle or equipment.

It is our intent to employ the car in regular scheduled testing surveys until September, 1983. Since testing began on February 28, 1983, we have tested approximately 2400 road miles of track as of March 18, 1983. We estimate testing an additional 16,600 track miles by September, 1983. If projections bear out, we will have surveyed our Core Routes at least twice with sufficient capacity remaining to accommodate additional testing on our other lines that handle hazardous material and/or passenger service.

The most immediate benefit to arise from these surveys is the ability to dynamically measure a track in a stressed condition and determine how certain resultant track parameters compare with the FRA track safety standards for that class of track. Real time computing capabilities on board the test vehicle identify the locations wherein gage, alignment, cross level, profile and warp fall from compliance with the FRA minimum safety requirements for railroad track. Corrective action can then be implemented to ensure compliance.

Longer term planning involves use of the measured track data to determine trends in either the degradation or improvement of our track structure. This will further enhance our track rehabilitation planning capabilities.

RATIO OF LABOR COSTS TO REVENUES

QUESTION: What was Conrail's 1982 labor ratio and how does it compare to other railroads?

RESPONSE: For the year 1982 Conrail's freight labor ratio, on the ICC method which expenses track work, was 49.9%, the same as in 1981 despite the significant drop in business in 1982. The Chessie labor ratio for 1981 was 51%. According to their annual report filed at the ICC, although Conrail's labor ratio was better than Chessie's, the overall industry average for 1981 was about 45%. Each ratio point for Conrail is equivalent to approximately $30 million.

PROJECTED EFFICIENCIES

QUESTION: Please detail the specific ways Conrail intends to achieve budgeted efficiencies of $184 million in 1983.

RESPONSE: Attached is Appendix II evidencing the various programs or ways in which these savings will be accomplished. Savings under similar programs for the recent past years have approximated $200 million in each year.

APPENDIX II

SUMMARY OF EFFICIENCIES (INCREMENTAL)

($ IN MILLIONS)

	1983 BUDGET	1982	1981
OPERATING EFFICIENCIES			
TRANSPORTATION:			
SEVERANCE PROGRAM	$ 13	$ 55	$ -
70 CAR LIMIT	5	-	-
OTE FORCE REDUCTION	17		
CONSTRUCTIVE ALLOWANCE, ETC	10	23	50
PRODUCTIVITY	11		
TOTAL	56	78	50
MAINTENANCE OF WAY	35	36	19
CAR INSPECTION & REPAIR	12	20	29
MECHANICAL	13	13	9
STATIONS	8	16	18
GENERAL AND ADMINISTRATION	24	16	15
DAMAGE PREVENTION	2	4	5
SAFETY	7	2	1
PURCHASING	8	26	14
TOTAL	169	211	160
CAPITAL EFFICIENCIES	3	7	11
FUEL	4	-	-
CAR UTILIZATION	8	(9)	35
TOTAL	$184	$209	$206

QUESTION: Please provide a summary of Conrail's most recent long-term forcast.

RESPONSE: The Company is in the process of completing a five-year outlook for submission to USRA and other governmental agencies by April 1, 1983. Highlight of those projections are as follows:

	1982	1983	1984	1985	1986	1987
P&L (GAAP Basis)	$174	$136	$166	$290	$416	$529
Traffic - Tonnage	177	177	178	183	186	190
Cash Balance	447	477	468	524	663	859
Continuance of Wage Concessions*	-	-	70	150	160	165

* P&L assumes extensions of concession in new labor contract of 1984; cash balance, above, reflects the cumulative benefit of concessions.

CONRAIL'S FINANCIAL PERFORMANCE

QUESTION: What is Conrail's present cash position and is it strong enough to carry them through the present economic downturn?

RESPONSE: At the end of 1982, Conrail's cash balance approximated $450 million, and currently is in the neighborhood of $400 million. The decrease reflects the cyclical nature of lower rail earnings in the first quarter of the year. The budget for 1983 projects a 1983 year-end cash balance of approximately $480 million; indications at this time are for attainment of that position.

QUESTION: Explain financial results: 1981 - $38 million; 1982 - a profit of $39 million. Also provide projections for the coming year.

RESPONSE: The attached Appendix I explains the reasons for the 1981 and 1982 operating results (before special item such as TBT sales). You will notice that although there is a variance of only $1 million between the two years, freight revenues are down $538 million in 1982 from 1981 but that matching cost reductions were achieved to offset the revenue decline.

We are presently in the process of reassessing the outlook for the remainder of 1983. Our budget for 1983 projects a profit for the year of $136 million. Indications at this time are that the Company will do better than that, assuming no serious disruption in the economy.

APPENDIX I

CAUSE OF CHANGES 1982 VS. 1981

($ In Millions)

Income Before Special Items - 1982		$39
Income Before Special Items - 1981		38
Variance		$ 1
Causes of Change:		
Freight Revenues Down		$(538)
Carloads Down 730,000 From 1981	$(685)	
Tarriff Yield	147	
Operating Costs Down		516
Volume Variable Reductions	240	
Lower Equipment and Road Maintenance	100	
Efficiencies - T&E Buyoffs	55	
Efficiencies - Other	151	
State Tax Relief (NERSA)	30	
Wage Rates, Fuel & Material Prices	(65)	
Miscellaneous	5	
Non-operating Changes		23
Lower Interest on Bebt	9	
Higher Income on Investments, etc.	14	
Varience Explained		1

CONRAIL'S LABOR PICTURE

QUESTION: Last year you stated that you expected Conrail to save $160 million in 1982 due to the reduced staffing and wage levels you would be able to achieve under your May 5, 1981 labor agreement. What savings were you able to realize during calendar year 1982 from staffing and wage reductions and do you foresee additional savings of this type in the future?

RESPONSE: In 1982 Conrail saved about $140 million from the 12% wage freeze negotiated under the May, 1981 labor agreement. This amount include approximately $120 million attributable to agreement employees and a matching rate of contribution from the nonagreement staff approximating $20 million. This total amount of $140 million is less than the $160 million previously projected because of reduced employment levels through business declines or productivity improvements. The savings from the wage concessions are committed to continue until expiration of the labor contract June 30, 1984, and will approximate $140 million in 1983 and about $70 million for the first half of 1984. The following employment level reflects a 12,000 employee reduction in 1982 compared with 1981. However, a part of this decrease responds to the business decline in 1982. The productivity improvements in 1982 provide savings of $209 million as evidenced in Appendix II. The employment level was as follows:

Number of Freight	Employees
Year 1980	65,660
1981	57,000
1982	45,325

QUESTION: You stated last year that Conrail intended to terminate a total of 2400 (sic) trainmen, 1300 freight enginemen and about 80 commuter enginemen. Have you completed these reductions and do you plan more or have you 'stabilized' your staffing levels?

RESPONSE: Conrail has made substantial progress toward full implementation of the Section 702 employee termination program. Full implementation will occur following the completion of negotiations currently in progress pursuant to Section 702(f) of the Act. Our train and engine service staffing levels have not yet stabilized, as a result of depressed traffic levels and the exercise of seniority by employees following the transfer of Conrail's inter-city passenger and commuter services to Amtrak and the various commuter authorities.

We are presently negotiating with the union for a removal of the 1300 limitation for severance of engine service employees (firemen) and for relief on the 70 car train length crew size limitation. We expect to achieve our goals through negotiation which would then allow us to continue severing excess employees to the full extent of available funds.

QUESTION: How many of Conrail's employees were adversely affected by the transfer of commuter operations from you to the local commuter authorities?

RESPONSE: Conrail's records indicate that 10,029 commuter related positions have been transferred to the commuter agencies. A determination as to whether all of these positions will be filled and a judgment as to whether the employees involved have been "adversely affected" are dependent upon the outcome of current labor negotiations to which Conrail is not a party.

CONRAIL'S SAFETY RECORD

QUESTION: Last year you testified that Conrail's 1981 accident rate improved by 27% over 1980. What has Conrail's accident rate been for 1982? What has been done to improve the accident rate? What are the projections for next year?

RESPONSE: Conrail's train accident rate per million train miles for the year 1982 is 8.4. This is an 11.6% improvement versus the previous year. Compared to 1980's performance, Conrail's rate has improved 35.9%. The total number of accidents has declined from 636 in 1981 to 447 in 1982. This represents a decline of 29.7% over 1981. These improvements can be broken into one of four cause categories: track, equipment, human factors, and others. Accidents due to track failures declined by 38.6%, equipment failures by 35.3%, human factors by 23.9%, and finally, all "other" causes, i.e., ice, snow, washouts, highway grade crossing accidents, vandalism, etc., declined by 15.2%.

The reduction in train accidents is a result of many factors. Conrail's continued expenditures for the renewal of its physical plant and its progressive maintenance program have assisted in cutting down the number of track and equipment related failures.

Conrail has increased monitoring activity in operating and safety rule compliance of all Operating personnel. In addition, we are continually training our Train and Engine Service employees. These two factors have contributed to the 23.9% improvement in train accidents caused by human factors.

As mentioned last year, Conrail is active in the National Safety Council's Operation Lifesaver program. Operation Lifesaver is designed to reduce the number of rail/highway grade crossing accidents through education, engineering and enforcement programs. We have expanded our participation from three states in 1981 to seven states in 1982. With Operation Lifesaver increasing the public awareness of potential hazards of rail/highway crossings and our continual training of our employees to think and act safely, the "other" train accident causes have declined by 15.2%.

Conrail is projecting to again reduce the number and rate per million train miles of accidents in 1983. A seven percent improvement in the rate is an attainable goal for 1983.

BOX CAR AND COAL FOR EXPORT RATES

QUESTION: The ICC recently deregulated boxcar traffic and coal for export. Conrail, of course, argued in favor of these ICC rulings. Many groups have expressed the fear that these recent ICC moves may be too damaging to shippers and a return to regulation would be required. Besides the financial benefit, which for boxcar traffic is expected to be $100 million per year for Conrail and $300 million per year for the industry, explain the effects of these rulings on equipment utilization.

RESPONSE: Export coal deregulation will assist open top hopper utilization as the railroads and their export shippers negotiate deregulated contracts that link equipment scheduling requirements to future rate levels.

Conrail's past export coal experience has been one of brokers lining up numerous suppliers, each loading as few as five cars per day, with these cars moving to the port in less than trainload lots, frequently well in advance of the actual vessel arrival date. The result was low car utilization and extensive switchi requirements as the railroad finally pulled together the 300-400 cars destined to a specific vessel.

Deregulation, along with recent port improvements at Philadephia, Baltimore, and locations local to other railroads, is likely to lead to rate differentials rewarding coal shippers for loading in large lots and for tight port delivery schedules. Privately operated port facilities designed to receive export shipments and unload them immediately into ground storage facilities provide the maximum improvement in car utilization. Long term agreements committing U.S. coal shippers to continuous utilization levels of certain quantities of railroad cars and/or locomotives will also be favored. The net result in every case will be to increase the quantity of export coal that, annually, is carried in the average open top hopper in this service.

QUESTION: Why didn't the rest of the railroads come out in support of these exemptions?

RESPONSE: Conrail's original petition sought exemption from regulation for "all movements in rail boxcars..." and applied to "all regulated aspects of the movement, including rates, divisions, car hire, car service, and common carrier duties..."

Comments by opposing railroads, filed in ExParte No. 346 (Sub-No.8) "Exemption From Regulation - Boxcar Traffic," carried a dominant message to both the Commission and Conrail that any boxcar deregulation should be uniformly applied throughout the industry and be granted only as it related to rates, and that the Commission should continue to regulate car hire, car service, and related matters.

The failure of other railroads to support Conrail's proposal largely reflected their perspective:

> Those carriers who are net originators of freight have realized large economic returns on their car fleets from rentals when off line. This return historically guaranteed their investment and tended to insulate their managements from the cost and market pressures experienced by the receiving and terminating railroads.
>
> Conrail's original proposal threatened the status quo in terms of car service and interchange rules. In addition, Conrail had no basis to ask for industry deregulation, thus the spectre of a partially deregulated industry loomed.
>
> The Railroads' Marketing people, more accustomed to dealing with uncertainty, generally leaned toward at least partial price deregulation. Several railroads recommended that deregulation proceed commodity-by-commodity, others supported Conrail.
>
> Conrail's proposal will result in each railroad in a joint haul having to negotiate with its partners to ob-

> tain its revenue requirements. This is a change for some railroads who have benefitted by insisting on ICC mandated divisions over the years.

After carefully considering the comments, Conrail amended its boxcar exemption proposal to allow the Commission to retain jurisdiction in the following areas:

1. Car hire and car service;
2. Mandatory interchange;
3. Reciprocal switching;
4. Car supply;
5. Rates on non-ferrous recyclables; and
6. Railbox Pooling Agreement.

Conrail's revision further proposed that the boxcar exemption specifically authorize rail carriers to take the following actions with regard to equipment use:

1. Assess charges for empty movement of cars where movements made at the direction or request of car owner, AAR or ICC;
2. Store empty cars and reclaim car hire beginning three days after the car is made empty; and
3. Negotiate bilateral agreements governing per diem rates, empty movements, and storage.

The above restrictions substantiallly reduced Conrail's original sought exemption for boxcars. It was felt this would satisfy many of the concerns voiced by parties to this proceeding and would clearly signal to both shippers and other rail carriers that Conrail was not seeking to destroy or disrupt the present interchange, car hire/car service and car supply systems.

The Commission also accepted these comments, along with Conrail's revisions, without any request for further response from other railroads. It announced its plan to deregulate boxcar traffic on March 3, 1983. The other railroads never were asked to comment on Conrail's revisions, which several of them might have supported.

More specifically, most railroad opposition, either inferred or expressed, centered on several issues and fears. These are noted below along with Conrail's rationale.

1. Any grant of exemption must be industry-wide rather than carrier specific;

The commission, on March 3, 1983, announced that it planned to exempt boxcar traffic from economic regulation, retaining jurisdiction in a number of areas including car hire/car service. The order will not be issued for 60 days. However, it exercised the Commission's right to make the boxcar exemption industry-wide, consequently, eliminating the other railroads' primary concern, based on the comments it received. Furthermore, Conrail had no basis to file a proposal for boxcar exemption for other than itself, thereby relying on the Commission's objectivity.

2. Exemption should be granted selectively on a commodity-by-commodity basis not equipment specific;

There is a very practical reason justifying the scope of the exemption that Conrail sought in lieu of the commodity-by-commodity approach advocated by a number of railroads. As a practical matter boxcars are interchangeable entities that provide service for a number of commodities, and are subject to certain uniform car rules and regulations including ICC prescribed per diem. An exemption dependent upon particular commodities transported in boxcars would create the confusion and inefficiencies these same railroads claim they are attempting to avoid. A secondary justification on the part of other rail carriers is their current infrastructure centering on market strategies on a commodity-by-commodity basis as opposed to Conrail's asset (freight car) management approach.

3. The probability of a fair return on freight car investment would be diminished;

A number of railroads incurred heavy equipment indebtedness by overinvesting in large car fleets designed to extract high per diem rates to offset the debt. They failed to recognize that the demand for boxcars has declined and continues to decline due to competitive disadvantages resulting from extended motor carrier productivity gains, and to a lesser degree, TOFC. By not recognizing these market shifts, they divorced equipment investment decisions from the economies of subsequent freight transportation. This resulted in the building of far more boxcars than is currently required, while embedding several hundred million dollars worth of empty car mileage costs in the rail network. Car owners/originators now, for the first time, have to consider the total economic consequences of their equipment utilization practices. These carriers will no longer be able to adhere to a policy of not using foreign boxcars for reloading or favor their own cars for loading simply to generate per diem.

4. Removes the Commission's authority over divisions and joint rates;

Conrail's general pricing strategy, for exempt boxcar traffic, will focus on asset management and attempt to drive down long run average unit costs. The primary pricing mechanism contemplated will be simplified proportional rate scales, comparable to rate structures currently in place and proven in TOFC transportation and for Grain. Conrail has found proportional rates and combinations of proportions preferable to the burdensome and limiting surcharge rate system. Single factor rates will be quoted through new joint, separately controlled, division factors. There is a risk inherent in establishing a proportional rate strategy, in that connecting carriers may not provide a linking proportional rate to yield a competitive through rate and Conrail may find itself unable to compete against joint through rates via a competing route. Nevertheless, Conrail is prepared to assume this risk and expects a degree of cooperation from railroads not possible under the previous insulated ratemaking system.

5. Shippers on short line railroads would pay higher rates.

Efforts to reload empty boxcars for return movement, repositioning the empty boxcar by car management practices to reduce empty return mileage, assessment of an empty mileage charge, and storage reclaim will help maximize the reloading of empty boxcars and reduce costs. Deregulation enables Conrail to link the rate and cost structures more closely and focus on cost reductions as a principal tactic to increase profit margins. Shippers and receivers on short lines reached via Conrail are in position to benefit from the overall cost reductions.

NOT ALL RAIL CARRIERS, COMMENTING ON THE PROPOSED EXEMPTION, WERE TOTALLY OPPOSED TO BOXCAR DEREGULATION

Several railroads supported Conrail's proposal, at least in part: Most suggested that all railroads be included, in the event the exemption is granted, and not make it an exclusive advantage for Conrail, and retain car service rules under ICC jurisdiction. Notable among the rail carriers who recognized clearly that other deregulation facilitated railroads' ability to respond to market demands are those of K. D. Bosanko, AVP-Market Planning, Southern Pacific Transportation Company, who stated in his comments to the proceeding:

> "The ability to offer price and service package which gain business for SP while at the same time insuring for the shipper competitive prices, rate stability and the opportunity to better budget resources would not be available if regulation were still applied."

QUESTION: The ICC recently deregulated boxcar traffic and coal for export. Conrail, of course, argued in favor of these ICC rulings. Many groups have expressed the fear that these recent ICC moves may be too damaging to shippers and a return to regulation would be required. Besides the financial benefit, which for boxcar traffic is expected to be $100 million per year for Conrail and $300 million per year for the industry, explain the effects of these rulings on equipment.

Response: BOXCAR DEREGULATION:

Background:

The current system of regulation, including both mandatory interchange and prescribed car hire rates not influenced by the marketplace, encourages unnecessary freight equipment acquisitions and rewards inefficiency.

In the past, regulatory agencies became alarmed over reported freight car deficits. These "deficits" were actually the result of two problems. First, there was gross inefficiency in the use of freight cars caused by the complex system of both government imposed regulation and the railroad industry's own self imposed regulation. Second, certain types of freight cars were not purchased simply because the traffic these cars were handling was not profitable. The inability of the traffic to yield a sufficient return was caused by inefficient handling of the freight cars, rate limitations due to competition and inflexibility in the way railroads distributed revenues among themselves for carloads handled by more than one railroad.

The solution to these perceived freight car shortages was borrowed from public utility regulation. The Interstate Commerce Commission's approach was to increase the "guaranteed" rate of return on the assets, the assets in this case being the pool of certain railroad car types. This was accomplished by raising the charges railroads pay one another for using each other's cars. These charges are called car hire and have both an hourly and a mileage component. It was hoped that these higher charges would cause railroads to handle the cars more quickly; to get them off line and provide the car owners with more income. As a result of this regulation railroads, and others, were encouraged to purchase more cars. New investors generally acquired one or more short line railroads to facilitate their participation in the industry per diem system. In fact, for a long time a portion of the funds earned by car owners in this manner was used to buy more cars.

These excessive charges did cause railroads to become concerned about handling cars more promptly, and billions of dollars were spent on new freight cars. This problem was mainly manifested in plain boxcars where the greatest perceived deficits were detected.

No one would say today that the problem was fixed even though cars were available to shippers for loading. The traffic was growing more and more unprofitable, largely due to extraordinary increases in the per load equipment cost. In fact, it became more profitable to own a freight car than to haul freight. While the total 50-foot plain boxcar fleet expanded by 44,500 cars from 1977 to 1982, loadings dropped by over 300,000 from 1977 to 1980, and by 600,000 more by 1982. Boxcar utilizaton, measured in loaded trips per car, fell rapidly. Historically (1973-74) 13 to 14 trips per year was the norm, however, by 1979 utilization had fallen to 10.4 trips, and in 1981 it was down to 7.0.

Railroads who had been receiving marginally profitable traffic in foreign cars renting at $5 per day now receive the same traffic in cars renting for $25 per day. Under regulation they are unable to pay less because the rental rates are prescirbed. Meanwhile, the originating railroad generally will not agree to change the distribution of revenue, which is also prescribed by the Interstate Commerce Commission, to give the receiving railroad a greater portion. If the receiving railroad is able to raise the overall rate, he may lose the business. Also, since a foreign car is so expensive, the receiving road doesn't dare hold the car to reload it, but returns it empty immediately.

The situation today is so ridiculous that several small originating railroads have eliminated all freight car equipment costs. These railroads make arrangements with car owners (usually leasing companies) whereby the railroad pays no rental while the cars are on their line. The cars are merely loaded to other railroads who pay for the cars. The car hire charges are so high this system generates enough income to support the whole process with a healthy profit, usually far greater than the railroad can earn from freight revenue. The result is that traffic is still unprofitable, the cars are almost alway returned empty thereby increasing inefficiency, and the receiving carrier must try to raise his rates to the shipper to effect his costs.

Solution:

How do we fix this mess? Conrail's boxcar deregulation proposal is designed to establish some balance in the system to encourage efficiency. Conceptually, the approach is simple:

1. Allow bilateral agreements among railroads and car owners to set car hire rates;
2. Allow railroads to charge a minimum empty mileage charge to car owners for return of his car if he requests his car be sent home; and

3. Allow railroads to temporarily store foreign cars in anticipation of return loading and stop paying the negotiated car hire rates for those days.

Existing regulations have led to an 84% empty-to-loaded mileage ratio for plain boxcars and thousands of surplus cars on Conrail. By contrast, empty mileage percentages for the boxcars' chief competitor, the over-the-road motor carrier, are generally only 5 to 10 percent. Reduction in empty car mile cost is the single major opportunity the railroads have for reducing boxcar costs to where they can earn a profit from hauling the freight, yet remain price competitive with trucks. The market competition has been exacerbated by the Surface Transportation Act of 1982 that increased truck productivity, net of increased costs, by 7 to 19 percent on several billions of dollars of existing rail boxcar traffic.

One concept Conrail plans to pursue is to establish bilateral agreements with other carriers to use their cars in the direction of their railroad in return for reduced car hire charges. In order to do this we plan to not only negotiate car hire and empty mileage charges, but also minimum rate and division levels. Having car hire costs controlled, we can then risk holding foreign cars for efficient reloading and offer shippers special discounts if they load a car by a certain date in a specific direction. For example, we might offer a rate reduction of $200 per carload if the shipper can load by Friday, to the West Coast, in certain Western owned cars.

Impact:

As railroads negotiate bilateral agreements to minimize empty car miles and car hire rates that reflect the marketplace, costs will be reduced. As boxcar handling becomes more efficient, profitable railroads will begin to place more value on boxcar traffic and seek ways to improve market share.

The costs of owning surplus freight cars are already in the freight rates shippers pay. Also in these rates are the costs of over one billion excess annual empty car miles generated as railroads attempt to operate and earn the maximum car hire within existing regulations. Studies by A. J. Kornhauser of Princeton University completed for Conrail in April, 1982, state boxcar deregulation will produce a drastic reduction in these wasted empty miles which could generate as much as $350 million annually in reduced operating expenses. Meanwhile, negotiated changes in car hire and car service affect only the charges railroads assess one another. New incentives will have been created for railroad marketing staffs to encourage increased boxcar loadings. In total, the equipment portions of deregulation will not increase shipper's freight rates, rather they will enable the carriers to respond to downward pressures on the prices generated by competition. Conrail plans to use many of the marginal pricing techniques currently used in the airlines to maximize balanced loading and minimize empty car miles.

Conrail's proposal that a car owner be charged up to $.35 per mile for empty miles run, at his request, will result in the equipment supplier considering the total empty cost he imposed on the system rather than only the costs on his line. Improved utilization of existing cars will result. This improvement will idle surplus cars that are currently generating the one billion excess empty miles nationwide each year. While we may not be able to completely use all the surplus, we will at least not haul it around empty wasting diesel fuel, polluting the environment and wearing out cars prematurely.

There is considerable concern about how these new freedoms will affect other railroads. Some explanation in this area is appropriate. All railroads will have the same freedoms. The work done for Conrail by Alan Kornhauser in our original deregulation petition showed that all major railroads have the potential to save significant empty car miles. Two railroads have even more potential than Conrail. The $.35 per empty mile charge proposed by Conrail represents the best estimate of empty mile costs, so no railroad will be able to make money on empty miles. Since the empty miles are now being incurred, these costs are already built into existing shipper rates. To the extent that these existing empty miles are reduced significantly, opportunity for reduced shipper rates exist. The purpose of the empty mileage charge is to eliminate empty miles and force the railroad causing the empty miles to consider the full impact of their decisions.

Since the empty miles aready exist, their cost is being incurred. Our proposal will place the cost of these excess empty miles on the railroad causing the excess empty miles so that the railroad wll have the economic (not regulated) incentive to reduce excess empty miles. Like any other problems in our complex society, there are various opinions about the results of boxcar deregulation. However, we cannot perceive of how boxcar deregulation could possibly increase costs, or cause more inefficiency than is already in the current system.

Confirmation:

Possibly the most impressive remarks made at the ICC oral hearing on boxcar deregulation were made by a competitor--the American Trucking Association. The ATA said that they were opposed to boxcar deregulation because the railroads would lower freight rates and take business away from trucks. Since railroads can lower rates without deregulation, the ATA obviously perceived the terrible inefficiency in the current system of regulation. The ATA is afraid that the efficiencies to be gained under deregulation would result in lower shipper rates.

NEWLY MERGED SYSTEMS

QUESTION: The ICC has blessed several large railroad mergers over the past year and a half. What have the effects been on Conrail of these mergers?

RESPONSE: Over the past several years, three major rail mergers have been consummated:

MERGED RAIL SYSTEM	CONSTITUENT RAILROADS	DATE MERGED
CSX	Baltimore & Ohio, Chesapeake & Ohio Family Lines, and Louisville & Nashville	11/01/80
NS	Norfolk & Western and Southern Railroad	6/01/82
PACRAIL	Union Pacific, Western Pacific, and Missouri Pacific	12/22/82

The impact of the CSX and NS systems on Conrail has been substantial. Competition has increased sharply along the north-south routes where the merged systems offer the benefits of single-line service. As a result, traffic diversions are estimated to have produced revenue losses amounting to $80 million at an annual rate. This figure could rise to approximately $100 million as the sales and marketing efforts of the more recently merged NS system intensify.

The revenue losses are a consequence of traffic diverted completely from Conrail. In the early analyses of these mergers, it was feared that Conrail would suffer substantial revenue lossed from being "short-hauled". In this scenario, traffic originating in the South and terminating on Conrail would be hauled deep into its territory on the N&W or Chessie System where previously it had been interchanged at exterior gateways. As a consequence, Conrail's share of revenues would decrease. Actual traffic losses have not been as great as feared. As anticipated, both the CSX and NS Systems have sought to exclude Conrail's participation on traffic originating and terminating at points local to their respective subsidiaries. This has been accomplished through cancellation of joint rates with Conrail and, to a lesser extent, through reductions in single line rates which were not offered to Conrail on joint routings. Additionally, on traffic to switching roads served by subsidiaries of the merged carrier, provisions of the Staggers Act have been used to cancel routes where Conrail formerly participated as an intermediate carrier.

Conrail, however, has utilized other provisions of the Staggers Act to protect its revenues. For example, on traffic to points local to Conrail (e.g., not also served by the merged carriers), Conrail has cancelled routings via its inefficient interior gateways, thereby precluding the short-haul option. Secondly, Conrail has recently established the principle with the Interstate Commerce Commission that switching rates must be able to stand on their own economically. As a result, while the merged carrier, CSX for example, may use Staggers Act provisions to preclude Conrail participation on a haul from a CSX served southern origin to a point common with Conrail such as Buffalo, NY, Conrail has been permitted to increase the charge for switching the car to its destination at an industry local to it. While these switching charges are still below economic levels at certain high cost locations, the historic problems of "reciprocal" switching charges tending to subsidize other carriers' line-haul service has been halted.

The implementation of the PACRAIL merger is too recent for any effects to be felt. We anticipate, however, that its overall impact will be positive but slight. Benefits are estimated at less than $10 million annually, and result from the negotiations with PACRAIL of a more favorable divisions agreement.

POTENTIAL STRIKE

QUESTION: On February 4, 1983, the Brotherhood of Locomotive Engineers (BLE) were legally free to strike Conrail. I understand the issue is the same as the one which led to the national strike this fall and subsequent emergency legislation to end the strike. Since Conrail was not a party to the national dispute, the emergency legislation does not apply to the present Conrail situation. The President convened an Emergency Board to stave-off a February 4th strike. What is the status of the situation? How likely is it that the BLE will strike Conrail at the end of the 60 day cooling-off period? If a strike did occur, how would Conrail be affected. How would other carriers be affected?

RESPONSE: As to the effect of a strike, much would depend on its length. Obviously, a strike by all Conrail engineers would shut down the railroad. I would think that such a strike, if it took place in May or June, could not come at a worse time for Conrail. By that time the economic recovery may be firmly underway, adding to the traditional heavy period of rail traffic. A strike would result in diversion of traffic to other rail carriers or other modes. Unfortunately, unlike some operations, lost traffic can never be recovered. The "Fact Sheet" issued by the White House when Emergency Board No. 200 was appointed, states among other things, that over 60 percent of Conrail's freight is interchanged to or from other railroads. Nearly 300,000 industrial employees could be laid-off within a month of a Conrail strike, halting $180 million worth of traffic per day. Forty-six utility plants are served by Conrail. Without Conrail service, up to 25% of the auto industry's production would stop within a week.

Conrail has 11,700 active customers at 148,000 locations. Over 3,600 of those locations are served exclusively by Conrail. Conrail would lose $2 million a day during a strike from fixed costs, in addition to lost revenue.

Far more important for Conrail than lost business would be the timing of such a strike coincidental with the statutory mandated profitability determinations. The statute establishes two relevant time periods. The June 1 determination is prospective, whether Conrail "will be a profitable carrier." The second determination is based on Conrail's actual economic performance during the period from July 1, 1983 through October 31, 1983.

A cessation of operations during this period would have a devastating impact on revenue. Even if Conrail were fortunate enough to settle a strike before June, undoubtedly it would affect Conrail's revenue and costs for the June through October period.

The BLE dispute will determine whether the labor cost savings goals of the NERSA can be met on Conrail. It is clear that Congress found the sacrifices in the Agreement of May 5, 1981 to be essential to its support for the statutory changes pursued in NERSA. Seldom has Congress been so involved in the details of a collectively bargained wage package as it was in enacting Section 1134 of NERSA. These NERSA goals were not merely wishful thinking, as is made evident by the fact that when Congress passed NERSA, the terms of the wage deferral package had been agreed to by 13 of the 16 labor organizations representing Conrail employees. (Now 15 of the 16 have agreed.) Conrail believes that Congress intended all employees to share in the wage sacrifices, both agreement and non-agreement employees. The labor cost savings intended by Congress, according to the formula agreed to jointly by labor and management continues to be essential for Conrail to pass the profitability tests.

Unfortunately, the labor dispute with the engineers hangs like a dark cloud over all that has been accomplished. The BLE is the only union not to sign the May 5 wage deferral agreement and is seeking special arbitrary pay as the price for that agreement. The special pay if granted would in turn generate demands that the pay be extended to all other Conrail unions. This pecial pay issue (known as the crew consist differential payment) caused the September 1982 BLE national strike, which Congress resolved by Public Law 97-262, enforcing Emergency Board's 194's Report as the settlement for the parties.

The results of this special pay for the BLE being extended to all other unions (which could happen under the May 5 Agreement) would be disastrous for Conrail. Its small profits in 1981 and 1982 would have to be restated to losses. It would be unlikely that profitability tests would be passed.

In sum, the BLE dispute potentially can determine whether the NERSA goals can be achieved and could determine the likihood of rail service in the northeast.

QUESTIONS SUBMITTED TO CONRAIL BY SENATOR CHILES

QUESTION: What is the profit or loss on the ICC accounting method and the accounting method used by Conrail? Will the ICC accounting method create problems in regard to profitability determinations?

RESPONSE: The ICC method of accounting that you refer to requires expensing of all track maintenance work. Under Generally Accepted Accounting Principles, (GAAP) certain track work may qualify for capitalization and not be expensed. In 1982 Conrail reported a profit of $2 million on this ICC basis and a profit of $174 million on a GAAP basis. Earlier years were as follows:

	PROFIT	(LOSS)
	GAAP	ICC
1982	$ 174	$ 2
1981	39	(107)
1980	(244)	(406)
1979	(221)	(518)

The ICC accounting method should not create any problems in regard to profitability determinations, because a conventional measure of profitability would require sufficient cash flow from operations to cover capital and debt requirements. Consequently, it is irrelevant whether track work is categorized as capital or as part of the P&L operations.

In addition, as information for the Committee, the ICC has recently changed its accounting method to accommodate the capitalization of track work which they previously required to be expensed. This means that by the end of 1983 all railroads will be required to report qualifying track work as capital and not as part of maintenance expense. In Conrail's circumstances, this new ICC accounting method approximates Conrail's GAAP method of accounting.

QUESTION: Conrail has filed for abandonment of numerous miles of branchlines under NERSA. How many miles have been abandoned, and how many are likely to be abandoned in the future?

RESPONSE: NERSA provides two distinct phases for facilitated Conrail branchline abandonments: (1) lines filed for abandonment prior to December 1, 1981; and (2) lines subsequently filed through October 1983. In addition, Conrail requests an extension of the NERSA provisions for abandonments for an additional two years.

Listed below are the abandonments filed to date, and our expectations regarding the miles of lines to be filed during the remaining time available under NERSA provisions. It should be understood that an extension of the NERSA abandonment provisions would permit Conrail to defer some of the abandonments projected for the remainder of 1983 until 1984 or 1985 when the economic analyses of lines being studied would be more reflective of the recovering economy of the northeast.

Conrail Abandonment Filings Under NERSA

Prior to December 1, 1981	2,600 miles
December 1, 1981 to date	140 miles
To date through October 1983	1,060 miles
Beyond October 1983 (Estimated)	0-600 miles

SECTION 702 PROGRAM

QUESTION: For the Committee's records, please provide a discussion and appropriate data to show progress made by Conrail to buy out excess firemen and brakemen and other employees surplus to the needs of the railroad.

RESPONSE: To date, Conrail has terminated 1510 train service employees, 1317 freight engine service employees and 79 commuter firemen for a total of 2,906 employees. Payment of these terminated allowances cost the Federal Government $72.02 million.

As a result of the Section 702 Program, Conrail has made dramatic progress in its efforts to reduce overstaffing in the ranks of train and engine service employees. Early in 1981, prior to the enactment of the Northeast Rail Service Act, 75% of Conrail's train crews worked with a second brakeman, and 48% of Conrail's engine crews worked with a fireman. At the end of 1982, 21% of Conrail's train crews worked with a second brakeman and 18% of Conrail's engine crews worked with a fireman.

We are presently negotiating with the union for a removal of the 1300 limitation for severance of engine service employees (firemen) and for relief on the 70-car train length crew size limitation. We expect to achieve our goals through negotiation which would then allow us to continue severing excess employees to the full extent of available funds.

QUESTIONS SUBMITTED TO FEDERAL RAILROAD ADMINISTRATION BY SENATOR ANDREWS

LABOR IMPACT OF SALE IN PIECES

Senator Andrews: Prior to institution of Conrail's workforce reduction program, labor representatives estimated that a break-up of Conrail would result in employment reductions of about 40,000 employees. What is your most recent estimate of the decline in employment that would occur if Conrail were to be sold off in pieces?

Response: The Department contemplates selling Conrail as a single entity. We have no estimate of the impact on employment if Conrail, as we know it today, were to be transferred in an asset transaction rather than as an entity.

EMPLOYEE PURCHASE OF CONRAIL

Senator Andrews: Early in December of 1982, rail labor representatives expressed interest in an employee acquisition of Conrail and suggested they would be proposing a plan for such an acquisition early this year. What do you see as the necessary steps in an employee acquisition of Conrail? Also what is the likelihood of an employee purchase?

Response: We have had a number of meetings and conversations with the labor representatives to aid in development of a process through which their interest can be explored and, conceivably, negotiated. The labor group is now working on a specific proposal.

In evaluating any proposal, we will take into consideration the goals of NERSA, which include the continuation of rail service, and the maximization of return to the United States on its investment. Furthermore, we will be looking for purchasers with sufficient resources to carry Conrail through both good and bad economic times.

It would be premature for us to comment on the likelihood of purchase by any specific party when no specific proposals have been received.

CONRAIL TRANSFERS

Senator Andrews: Now that Conrail Supplemental Transfers of Connecticut, Rhode Island, and Massachusetts lines are one-year old, what oversight has FRA conducted as to the service provided by transferees in those states?

Response: FRA has been monitoring, through discussion with State DOTs and shippers, the performance of the participants in the Supplemental Transactions since transfer of the lines. To date, we have received nothing but positive reactions concerning the quality of service provided by the transferees.

D&H RAILROAD

Senator Andrews: The USRA holds approximately $58 million worth of Government loans to the Delaware & Hudson (D&H) Railroad. According to section 1164(c) of the Northeast Rail Service Act (NERSA), once an acquisition of the D&H has been approved by the ICC, the interest of the U.S. Government in the D&H is to be limited to "an interest which attaches to such debt in the event of bankruptcy, or substantial sale, or liquidation of the assets of the railroad." NERSA goes on to provide that the Secretary may substitute contingency notes for the D&H debt held by the Government. I understand that the ICC approved acquisition of the D&H by Guilford Transportation Industries last summer. What is the status of the substitution of the USRA held debt for contingency notes and what are the budgetary impacts of the substitution?

Response: Negotiations on the terms and conditions to substitute the contingency notes are nearing completion. The acquisition of the D&H by Guilford is contingent on the prior acquisition by Guilford of the Boston & Maine. The final reorganization court approval of the Boston & Maine purchase is expected by May. The D&H acquisition will either occur simultaneously with or shortly after the acquisition of the Boston & Maine.

Under section 210 of the Regional Rail Reorganization Act, the Department of Transportation guaranteed notes issued by the United States Railway Association (USRA) to the Federal Financing Bank. USRA used the proceeds from the notes to make loans to the Delaware and Hudson. After the D&H acquisition, the Department will honor its guarantee of the USRA notes by borrowing from the Treasury and using the proceeds of that borrowing to satisfy USRA's obligations to the Federal Financing Bank. The Department will then seek an appropriation to discharge its obligation to the Treasury. The Department's budget will reflect that appropriation and the associated outlay to Treasury.

EMPLOYEE PURCHASE

Senator Andrews: The Railway Labor Executives Association (RLEA) has described four concerns which they believe are key to an employee acquisition of Conrail, or any sale of Conrail by the Government. These concerns are that Conrail's price should be determined by its projected earnings stream and potential earnings power, that the Government be willing to accept deferred payments for some portion of the purchase price, that the Government retain certain assets which might not be necessary for future rail operations, and that the value of certain tax attributes be determined at the marginal corporate income tax rate applicable to the purchaser and subtracted from the sales price. What impacts do you believe each of these would have on a sale of Conrail as a corporate entity? Do you agree with the RLEA that these approaches are necessary for any sale?

Response: The issues raised by RLEA are points which should be considered in the context of an actual offer. The Department will consider, within the guidelines of the statute, all valid offers as it endeavors to return Conrail to the private sector.

However, not all of these issues would be relevant to all purchasers. It is too early to know what the concerns of other purchasers will be. We will have a better idea as we hear from other potential purchasers. Until then, we do not believe that the Government's position on the four issues raised by RLEA should be fixed.

Senator Andrews: The RLEA also claimed that one of the primary disadvantages related to an acquisition of Conrail by purchasers other than employees would be that such purchasers would have as a primary goal utilization of Conrail's tax attributes. RLEA claims that this goal will not adequately assure continued rail service. What is your view of the primary goal of purchasers other than employees and what are likely results on rail service?

Response: Primary factors in selection of any purchaser of Conrail will be the extent of a purchaser's commitment to provide continuing rail service to the Northeast and Midwest regions, and the depth of its financial resources available to fulfill such a commitment.

In our judgment, a sale to a purchaser that "would have as a primary goal utilization of Conrail's tax attributes" is not in the cards.

EFFECTS OF ESOP ON SALE

Senator Andrews: Conrail's employees hold 15 percent of the company in an ESOP. How would the existing Employee Stock Ownership Plan be affected by a sale of Conrail as an entity? A sale of Conrail in pieces?

Response: If Conrail is sold as an entity through the sale of its common stock, there could be little effect on the ESOP. The purchaser or purchasers would acquire the 85 percent of Conrail common stock currently held by the Government, and the employees, through the ESOP, would retain their interest in the other 15 percent.

I do not wish to preclude other alternatives, however. A sale of Conrail in which the employees' participation is greater than 15 percent is obviously possible. In that case, the ESOP plan might have to be renegotiated.

QUESTIONS SUBMITTED TO U.S. RAILWAY ASSOCIATION BY SENATOR ANDREWS

CONRAIL'S FUTURE

Senator Andrews: A recent article by James A. Runde of Morgan Stanley & Co. in Railway Age points out that todays investors are appartently placing more emphasis on the earnings power of a borrowing company than on the value of the company's collaterial. It seems, therefore, that potential purchasers would be very interested in Conrail's potential earnings power. What are your projections of Conrail's earnings power? How will earnings power be considered in the profitability tests?

Mr. Berger: USRA does not currently have its own projection of Conrail's earnings power.

The future earnings power of Conrail and the cash flow that those earnings will generate will be central to the profitability tests. NERSA defines a profitable carrier as one ". . . that generates sufficient revenues to meet its expenses, including reasonable maintenance of necessary equipment and facilities. . . ."

COMMUTER TRANSFER FINANCING

Senator Andrews: USRA accepted $139.1 million of Conrail's passenger receivables in exchange for a like amount of debentures. These items were related to the transfer of Conrail's commuter operations to local transit authorities. Explain how this arrangement will work? Who owes how much of these receivables? How likely is it that USRA will be able to collect any of these accounts? If collections are realized, what will USRA do with the funds received?

Mr. Berger: NERSA authorized USRA to purchase accounts receivables of Conrail attributable to delays in reimbursement from commuter authorities and accounts receivable attributable to the dispute over the right-of-way related costs with respect to the Northeast Corridor. The Association has entered into two agreements with Conrail whereby the Association purchased these accounts receivables from Conrail in exchange for Conrail debentures held by USRA.

The following table sets forth the accounts receivable now owned by USRA.

(dollars in thousands)

Commuter Authority	Delayed	NEC	Total
NJ Transit	$31,672	$51,271	$ 82,943
SEPTA	12,402	31,356	44,758
MD DOT	466	1,400	1,866
MBTA	-	923	923
MTA/c-DOT	7,672	-	7,672
Indiana	941	-	941
Total	$54,153	$84,950	$139,103

It is unlikely that USRA will collect any of these receivables. If USRA does collect any of these accounts receivable the funds will be turned over to the United States Treasury.

Senator Andrews: In connection with the January first transfer, Conrail redeemed $6.5 million of debentures. What specific items were related to this $6.5 million? Which commuter authority was involved? Just how were these debentures redeemed? Did USRA pay Conrail or did the commuter authority?

Mr. Berger: The items involved consisted of locomotives, freight train cars, work equipment, road property and other. The commuter authorities involved were SEPTA, New Jersey Transit, Metro North, and Conn DOT.

Pursuant to NERSA, USRA was directed to return debentures to Conrail in an amount equal to the value of the properties conveyed by Conrail to the commuter authorities.

Conrail received no cash for the assets transferred to the commuter authorities but instead had Conrail debentures held by USRA returned in an amount equal to the value of the properties conveyed.

Senator Andrews: As you know, $125 million has been appropriated for the Amtrak rail transfer. How were these debenture exchanges considered in the determination of the funding needed to ensure a successful transition?

Mr. Berger: These debentures were not part of the determination to appropriate $125 million for the commuter agencies to operate Conrail commuter service.

Senator Andrews: What impacts will these debentures have on the profitability tests and on any potential sale or transfer of Conrail?

Mr. Berger: The debentures will have no impact on the profitability tests. The impact on any potenital sale or transfer of Conrail is difficult to assess. If there is any impact on any potential sale or transfer it will be favorable since Conrail, through these transactions, has been able to eliminate certain uncollectable accounts receivable from its balance sheet.

CONRAIL VS. OTHER RAILROADS

Senator Andrews: I understand USRA expects to provide us with an interpretive report during the next month on how Conrail compares to other U.S. railroads. Mr. Berger, can you perhaps give us a flavor of what this report is likely to conclude?

Mr. Berger: The study embraced a number of discrete topics, and its findings do not generally coalesce into overall conclusions. Two types of findings, however, recurred in each of the major expense category analyses (transportation, way & structures, and equipment): first, that Conrail's pattern of comparatively high unit cost was observed in each major account and most subaccounts; and second, that Conrail significantly improved its unit cost performance compared to other carriers over the 1978-81 period in most major accounts and their components. Taken together, these observations support the inference that Conrail, facing pervasive productivity or efficiency challenges, demonstrated the ability to make significant progress in meeting them. Optimism for improved competitiveness by Conrail in the future is warranted by that inference.

POTENTIAL STRIKE

Senator Andrews: On February 4, 1983, the Brotherhood of Locomotive Engineers (BLE) were legally free to strike Conrail. I understand the issue is the same as the one which led to the national strike this fall and subsequent emergency legislation to end the strike. Since Conrail was not a party to the national dispute, the emergency legislation does not apply to the present Conrail situation. The President convened an emergency board to stave-off a February 4th strike. What is the status of the situation? How likely is it that the BLE will strike Conrail at the end of the 60 day cooling-off period? If a strike did occur, how would Conrail be affected? How would other carriers be affected?

Mr. Berger:

1. Status of the Emergency Board

Emergency Board No. 200 held hearings, received evidence and heard argument on February 16, 17, and 25, 1983. Conrail and the BLE consented to a 14-day extension of the time for the Board to issue its report. The report, therefore, will be issued March 30, 1983 and the Railway Labor Act cooling-off period will end April 29, 1983.

A strike after the cooling-off period is a possibility, as the railroad and the union remain apart on the key issue, an arbitrary compensation differential payment for engineers. However, the Emergency Board's report may serve as a catalyst to settlement, as has occurred in the past.

2. Primary issue

The BLE is the only union that has not yet signed the May 5, 1981 wage deferral agreement with Conrail. This agreement, which holds Conrail unions 12 percent behind the national agreement in wage increases, has been an essential element in Conrail's small 1981 and 1982 operating profits. As far back as the Staggers Act of 1980, Congress expected that Conrail's progress toward self-sufficient viability would depend upon sacrifices borne by both management and labor. The wage hold down agreement, signed by 15 of Conrail's 16 unions, has gone far to alleviate Conrail's high costs. As a price for joining in the agreement, the BLE is demanding a special "crew consist differential payment." This special pay, a sharing with trainmen of the productivity improvements arising from the crew consist agreement to which the BLE was not a party, was the issue in the September 1982 BLE national strike. That action was settled by Public Law 97-262 which implemented the Report of Emergency Board 194. If Conrail were to grant this demand, all other Conrail unions would demand that the pay be extended, a real possibility under the May 5 agreement. Such an event would undermine Conrail's recent progress in cost cutting.

3. Effects of a Strike

a. On Conrail

A BLE strike taking place in May or June could not come at a worse time for Conrail. It cannot afford to miss the opportunities of the general economic recovery, which may be firmly underway by then, as well as the annual late spring upswing in rail traffic. A cessation of operations during this period would have a severe impact on revenues, as traffic would be diverted to other railroads or other modes, never to be recovered by Conrail.

Moreover, the time period in question coincides with USRA's statutorily mandated June 1 and October 31 profitability determinations. Either the revenue loss of a shutdown or the labor cost of yielding would throw into question Conrail's ability to pass these two tests.

The BLE dispute will determine whether the labor cost savings goals of NERSA can continue to be met on Conrail. These cost savings, intended to be shared by agreement and non-agreement employees, are essential to Conrail's passing the profitability tests.

b. Effects of a strike on other carriers and the U.S. economy.

Over 60 percent of the freight carried by Conrail is received from or delivered to other railroads -- the equivalent of over 10 percent of the nation's rail traffic. Some of this traffic would find other railroads or other modes, but some would simply be halted. Nearly 300,000 industrial employees could be laid off within a month of a Conrail strike, halting $180 million worth of traffic per day. Forth-six utility plants are served by Conrail. Without Conrail service, up to 25 percent of the auto industry's production would stop within a week.

4. Conrail's proposed resolution

Conrail proposes that a long term resolution of the issue could be pursued in the context of multi-craft collective bargaining in a Study Commission with the UTU, the same solution advised by Emergency Board No. 194 and Public Law 97-262. The BLE would suffer a delay in their effort to secure the special pay through a strike, but would receive the same economic benefits, and make the same sacrifices, as all other Conrail employees under the agreement of May 5, 1981, including pay increases retroactive to July 1, 1982 and improved health and welfare protection.

QUESTION SUBMITTED TO THE U.S. RAILWAY ASSOCIATION BY SENATOR CHILES

UNITED STATES RAILWAY ASSOCIATION

Senator Chiles: The Authorization of the USRA expires at the end of the fiscal year. The Agency has three remaining responsibilities before it sunsets. Two of the responsibilities relate to the determinations or certifications of Conrail profitability in June and November of 1983. The third responsibility is the recent requirement that USRA determine the value of the Alaskan Railroad.

When does the Agency expect to complete these three responsibilities? Are there any other responsibilities that the Agency must complete before it sunsets? When does the Agency expect to sunset?

Mr. Berger: The first profitability determination will be completed on June 1, 1983. The second determination will probably be completed sometime during December of 1983. The Alaskan Railroad study is, by statute, required to be completed by October 15. We anticipate completion prior to the statutory deadline.

In addition, USRA continues to be responsible for the valuation litigation with the bankrupt railroads that transferred assets to Conrail. Outstanding claims of the estate which have not yet settled - the Central of New Jersey and Lehigh and New England - approximate $100 million plus interest accumulated since April 1, 1976, so the amounts in question continue to be substantial. The non-rail use phase of the litigation is drawing to a close and an opinion is anticipated from the Court by the summer. We are hopeful that the Court will define the entitlements of these estates with sufficient provision to permit prompt settlement of the remaining issues. If the estates seek to pursue further phases of this litigation, however, USRA would require additional appropriations to continue to represent the government interests.

If Congress does not provide USRA with an authorization and appropriation for FY 84, the Agency will sunset in the second quarter of FY 84.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now recess. The next subcommittee hearing will be Tuesday, March 15, when we hear the Interstate Commerce Commission.

[Whereupon, at 10:55 a.m., Friday, March 11, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 15.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 15, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Byrd.

INTERSTATE COMMERCE COMMISSION

STATEMENT OF REESE H. TAYLOR, JR., CHAIRMAN

ACCOMPANIED BY:
- JANICE M. ROSENAK, LEGISLATIVE COUNSEL
- WILLIAM R. JOHNSON, MANAGING DIRECTOR
- J. WARREN McFARLAND, DIRECTOR, OFFICE OF COMPLIANCE AND CONSUMER ASSISTANCE
- WILLIAM R. SOUTHARD, DIRECTOR, OFFICE OF TRANSPORTATION ANALYSIS
- RONALD S. YOUNG, DIRECTOR, BUREAU OF ACCOUNTS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order. This morning we are hearing the Interstate Commerce Commission (ICC), and we have with us the Chairman of the ICC, Mr. Reese Taylor, and his thoughtful camp followers.

Mr. Chairman, we would be glad to hear your statement this morning. Let me assure you that it will appear in the record in total as though uttered word for word. You can summarize it or proceed in whatever way you feel best.

INTRODUCTION OF ASSOCIATES

Mr. TAYLOR. Thank you very much, Mr. Chairman.

We are delighted to be here this morning. And I would like to begin by introducing those who are here with me at the table.

On my far left is Dr. William Southard, Director of the Commission's Office of Transportation Analysis; on my immediate left is Warren McFarland, Director of the Commission's Office of Compliance and Consumer Assistance; on my immediate right is Jan Rosenak, the

Commission's Legislative Counsel; and next to her is William Johnson, the Commission's Managing Director.

Thank you for inviting us here today to discuss the Interstate Commerce Commission's fiscal year 1984 budget. I would like to make a few brief remarks to highlight some aspects of our estimates, and I'll be happy to try to answer your questions.

BUDGET REQUEST

Our fiscal year 1984 budget authority request is $58,038,000. We estimate that this will support 1,100 full-time permanent staff-years. This represents a decrease of $7,562,000 and 282 full-time permanent staff-years from the fiscal year 1983 appropriation and staff-year ceiling.

Our request agrees with the recommendations in the President's budget, which I fully support, provided the legislative proposals on which we based our budget estimates are in fact enacted. I will expand on these proposals in just a moment.

The Commission hopes to achieve its ambitious personnel reduction goal with a minimum of disruption to ongoing operations and remaining employees. We will rely on attrition as the primary means to reach our requested ceiling. However, if attrition does not occur at a high enough rate or in the right jobs, additional reductions in force may be necessary.

The fiscal year 1984 budget request reflects a decrease in Commission employment of 46 percent since 1979, which was just before Congress enacted regulatory reform legislation affecting the rail, motor carrier, and household goods industries.

The 1980 legislation and the Bus Regulatory Reform Act of 1982 had immediate impact on many of our functions and gave the Commission limited authority to pursue administratively further regulatory reform in certain areas.

In developing the fiscal year 1984 budget estimates, the Commission carefully examined its statutory functions and its resource needs. We are rapidly approaching the point where the 1980 legislation is fully implemented, and the implementation of the Bus Act is well under way.

I believe that satisfying current statutory requirements would dictate a personnel level somewhere in the vicinity of 1,200, or a few more, full-time staff-years. However, in light of the current deficit projections and the administration's efforts to cut spending, the Commission considered what steps would be necessary to further reduce staff and spending in order to meet the dollar and manpower ceilings prescribed by OMB.

The net effect of our analysis is that the Commission's fiscal year 1984 full-time staff level of 1,100 is predicated on additional legislation being enacted to further deregulate the motor carrier industry.

While the Commission intends to wholeheartedly support more extensive regulatory reform, our fiscal year 1984 budget assumes that at least the following minimal reforms will be enacted.

First, a grant to the Commission of broad exemption authority for motor carriers of freight;

Second, the establishment of a fitness only test for motor carrier licensing; and,

Third, the combining of emergency temporary and temporary authority licensing processes under a single application.

Absent enactment of these legislative proposals or other broad deregulatory motor carrier legislation, I believe we would require resources higher than those requested in the President's budget in order to discharge properly our statutory responsibilities.

EFFECT OF PROPOSED LEGISLATION ON STAFFING LEVELS

Let me turn now to an explanation of how the proposed legislation would affect staffing levels for our program areas.

New legislation, combined with the administrative initiatives undertaken by the Commission over the past 2 years, will result in staff time devoted to motor carrier programs dropping by 39 percent between fiscal year 1982 and fiscal year 1984. Staff involvement in rail activities, which have never been as staff intensive as motor activities, will fall by 11 percent. Administrative support staff for all Commission programs will decrease by 26 percent.

Staff devoted to policy and analysis program activities will decrease by 15 percent between fiscal year 1982 and fiscal year 1984. Rulemaking activity is expected to decline in both rail and motor areas, although enactment of motor carrier reform legislation with broad exemption authority could initially create additional work.

Legislative support work will remain relatively stable, as consideration is given to new legislative proposals and congressional oversight hearings continue to evaluate the impact of the reform legislation enacted in 1980 and 1982.

Analytical activities will remain stable in the rail area, particularly with respect to rail costing, but will decline steadily in the motor carrier area.

For proceeding's program activities, staff involvement will fall by more than 32 percent. The greatest impact will be on motor carrier licensing, where the staff time is expected to fall from 283 staff-years to 110 staff-years, a reduction of 61 percent.

Much of this decline was originally projected because of a decreasing volume of applications through fiscal year 1983 for both permanent and temporary operating authority. However, 79 staff-years of the reduction is premised on the assumption that new legislation will: (1) provide for a fitness-only test in which fitness findings are based entirely on safety and insurance, as is the case for certain types of passenger transportation under the recent bus legislation; and (2) combine temporary and emergency temporary authority applications into a much more streamlined process.

Assuming legislative enactment of a fitness-only test, permanent authority applications are likely to increase in fiscal year 1984, but the process would be so greatly simplified that fewer staff could still handle the temporary surge in volume.

Rate activity is expected to increase slightly due to the authority given to the Commission in the Bus Regulatory Reform Act of 1982, to preempt state jurisdiction over intrastate rates and also due to a backlog of pending rail matters.

FINANCING MOTOR CARRIER AND RAIL CASELOADS

In the finance area, our motor carrier caseload should fall because of the limited exemption authority granted the Commission in the Bus Act. On the other hand, our rail finance caseload is expected to remain stable due to a sustained high volume of rail merger and abandonment proceedings.

The compliance and consumer assistance program staff have traditionally been much more involved in motor carrier activities than in rail matters. The continuing deregulatory emphasis for motor carriers, coupled with administrative initiatives by the Commission, will substantially reduce this staff requirement.

Complaint-handling has dropped considerably: (1) because of reduced shipping volume caused by the economic slowdown; (2) because of a decision by the Commission to stop handling nonjurisdictional complaints; and (3) because of increased consumer satisfaction with carrier prices and service options, particularly in the household goods industry.

Public and carrier assistance efforts will decline slightly, although the Commission will continue to emphasize educational efforts for owner-operators and small carriers, as well as rail planning assistance for States or communities facing discontinuation of services.

The Office of Special Counsel will shift its efforts—in fact, it has already—to expend more time representing the interests of bus passengers in today's more deregulated environment.

Monitoring of carriers, particularly by Commission field staff, will decrease substantially between fiscal 1982 and fiscal year 1984. This is made possible by industry adjustment to reduced regulation and a shift toward administrative enforcement efforts, such as carrier education, issuance of warnings, and self-help initiatives.

The Commission is not assuming any noticeable reduction in staff for the maintenance of official files and records. Tariff filings are continuing to increase, as more carriers respond to the more competitive marketplace by taking advantage of the rate flexibility provided by recent legislation.

Staff-years devoted to the Commission's enforcement program will decrease 38 percent between fiscal years 1982 and 1984. As deregulation of the motor carrier and rail industries continues to progress in accordance with the provisions of the 1980 and 1982 legislation, the need for and scope of the Commission's enforcement activity will decrease.

In the immediate future, Commission enforcement activity will focus on maintaining fair and equitable competition in the transportation industries, insuring protection of the public interest, and adherence to congressional intent. With limited resources, the Commission's enforcement efforts will be largely directed toward assisting those who are least able to help themselves, such as bus passengers and household goods shippers.

In closing, let me reiterate that the Commission has been moving forward, both administratively and legislatively, to reduce regulation whenever possible. Last year, for example, we informed Congress that for motor carriers of property, an entry standard based upon public need should be eliminated because it is no longer meaningful. Accordingly, a first cut at legislation adopting a fitness only standard was submitted to Congress on February 10, 1982. Since that time, the Commission has continued to study the matter and now believes that additional initiatives are in order. Close contact has been maintained with the Department of Transportation and other representatives of the administration with regard to development of broad regulatory reform proposals. We anticipate that legislation incorporating these proposals will be introduced shortly, and we expect to support what is introduced.

However, without the enactment of reforms at least as broad as those outlined earlier in my testimony, I believe an employment level of about 1,200—1,210 more exactly—employees would be necessary to meet our statutory responsibilities.

CONCURRING EXPRESSION

I would be happy now to answer any questions you may have, although I would like just quickly to comment upon what has been submitted as Commissioner Gradison's separate but concurring expression with regard to our budget. I believe you have seen that.

The indication there is that she has some doubt as to whether or not we can get along with 1,100 staff-years or whether we actually need more employees. She seems to feel that there is a possibility that, maybe, we could get by with 1,100 without any additional legislation.

She pins her remarks to two specific points. First of all, that granting an exemption in Ex Parte 165, which deals with motor contract carriers and their tariff filing requirements, which, by the way, is a pending proceeding could reduce significantly the number of tariffs processed by the Commission, with a resulting savings in staff resources.

Our Director of the Bureau of Traffic wholeheartedly disagrees with that suggestion and makes it very clear that the most we would be talking about would be only a couple of people. And, even by eliminating all motor contract carrier rate filings, it's his opinion that that would not match the 190,000 to 200,000 additional tariffs that are anticipated in fiscal year 1983, particularly as a result of all of the independent actions that we are now receiving.

The other point is that the use of electronic tariff filing, if that were somehow expedited, could save some resources. Of course the difficulty there is, we can't really plan for that—and that involves quite an expenditure of funds—until we are absolutely certain what our deregulatory legislation is going to contain.

So there really isn't any way to expedite that, at least in terms of getting anything accomplished by the beginning of fiscal year 1984.

So I would only offer those comments as an indication that I, too, would hope that if we are finally stuck with 1,100, that, somehow or another, we could get by with it. But it's my firm belief, and we've been through it with our bureau and office heads as thoroughly as I know how to, that 1,210 is going to have to be the number if, in fact, we don't get any legislative relief.

PREPARED STATEMENTS

Senator ANDREWS. Thank you, Mr. Taylor. We have the additional statement and your prepared statement to be inserted in the record.

[The statements follow:]

STATEMENT OF COMMISSIONER GRADISON

COMMISSIONER GRADISON, concurring:

There appears to be increasing agreement that additional legislation reducing the Commission's regulatory role is desirable and needed. Efforts to reduce unnecessary and undesirable regulation have my full support and I endorse more extensive legislation than the deregulatory measures suggested by the Commission here.

I am not convinced, however, that the Commission would be unable to properly discharge its current statutory responsibilities at the staffing levels suggested by the President. Budget Director Stockman has urged the Commission to reduce the costs of our regulation to business and the public in general and to reduce our budgetary needs by a continuing and vigorous program of administrative deregulation. In this vein the Commission is considering numerous exemptions which could have a potential for reducing our involvement in both rail and motor areas. For example, granting the exemption proposed in Ex Parte No. MC-165, Exemption of Motor Contract Carriers from Tariff Filing Requirements, (served December 21, 1982) could reduce significantly the number of tariffs processed by the Commission with a resulting savings in staff resources. We are also giving close attention to streamlining those tariff requirements which might remain including encouraging use of electronic tariffs. By increasing the pace of such efforts I believe it possible that the Commission could carry out its statutory responsibilities at the reduced staffing level proposed by the White House.

STATEMENT OF REESE H. TAYLOR, JR.

Thank you for inviting me here today to discuss the Interstate Commerce Commission's FY 1984 budget. I would like to make a few brief remarks to highlight some aspects of our estimates, and then I will be happy to answer your questions.

Our FY 1984 budget authority request is $58,038,000. We estimate that this will support 1,100 full-time permanent staff-years. This represents a decrease of $7,562,000 and 282 full-time permanent staff-years from the FY 1983 appropriation and staff-year ceiling. Our request agrees with the recommendations in the President's budget, which I fully support, provided the legislative proposals on which we based our budget estimates are enacted. I will expand on these proposals in a moment.

The Commission hopes to achieve its ambitious personnel reduction goal with a minimum of disruption to ongoing operations and remaining employees. We will rely on attrition as the primary means to reach our requested ceiling. However, if attrition does not occur at a high enough rate or in the right jobs, additional reductions in force may be necessary.

The FY 1984 budget request reflects a decrease in Commission employment of 46 percent since 1979, which was just before Congress enacted regulatory reform legislation affecting the rail, motor carrier and household goods industries. The 1980 legislation and the Bus Regulatory Reform Act of 1982 had immediate impacts on many of our functions and gave the Commission limited authority to pursue administratively further regulatory reform in certain areas.

In developing the FY 1984 budget estimates, the Commission carefully examined its statutory functions and resource needs. We are rapidly approaching the point where the 1980 legislation is fully implemented, and implementation of the Bus Act is well under way. I believe that satisfying current statutory requirements would dictate a personnel level somewhere in the vicinity of 1,200 full-time staff years. However, in light of the current deficit projections and the Administration's efforts to cut spending, the Commission considered what steps would be necessary to further reduce staff and spending in order to meet the dollar and manpower ceilings prescribed by OMB.

The net effect of our analysis is that the Commission's FY 1984 full-time staff level of 1,100 is predicated on additional legislation being enacted to further deregulate the motor carrier industry. While the Commission intends to wholeheartedly support more extensive regulatory reform, our FY 1984 budget assumes that at least the following minimal reforms will be enacted:

- First, a grant to the Commission of broad exemption authority for motor carriers of freight;
- Second, the establishment of a "fitness only" test for motor carrier licensing; and,
- Third, the combining of Emergency Temporary and Temporary Authority licensing processes under a single application.

Absent enactment of these legislative proposals or other broad deregulatory motor carrier legislation, I believe we would require resources higher than those requested in the President's budget in order to discharge properly our statutory responsibilities.

Let me turn now to an explanation of how the proposed legislation would affect staffing levels for our program areas.

New legislation, combined with the administrative initiatives undertaken by the Commission over the past two years, will result in staff time devoted to motor carrier programs dropping by 39 percent between FY 1982 and FY 1984. Staff involvement in rail activities, which have never been as staff intensive as motor activities, will fall by 11 percent. Administrative support staff for all Commission programs will decrease by 26 percent.

Staff devoted to Policy and Analysis Program activities will decrease by 15 percent between FY 1982 and FY 1984. Rulemaking activity is expected to decline in both the rail and motor areas, although enactment of motor carrier reform legislation with broad exemption authority could initially create additional work. Legislative support work will remain relatively stable, as consideration is given to new legislative proposals and Congressional oversight hearings continue to evaluate the impact of the reform legislation enacted in 1980 and 1982. Analytical activities will remain stable in the rail area, particularly with respect to rail costing, but will decline steadily in the motor carrier area.

For Proceedings Program activities, staff involvement will fall by more than 32 percent. The greatest impact will be on motor carrier licensing, where staff time is expected to fall from 283 staff-years to 110 staff-years, a reduction of 61 percent. Much of this decline was originally projected because of a decreasing volume of applications through FY 1983 for both permanent and temporary operating authority. However, 79 staff-years of the reduction is premised on the assumption of new legislation (1) providing for a "fitness only" test in which "fitness" findings are based entirely on safety and insurance, as is the case for certain types of passenger transportation under the recent bus legislation; and (2) combining the temporary and emergency temporary authority applications into a much more streamlined process. Assuming legislative enactment of a "fitness only" test, permanent authority applications are likely to increase in FY 1984, but the process would be so greatly simplified that fewer staff could still handle the temporary surge in volume.

Rate activity is expected to increase slightly due to authority given the Commission in the Bus Regulatory Reform Act of 1982 to preempt State jurisdiction over intrastate rates and also due to a backlog of pending rail matters.

In the finance area, our motor carrier caseload should fall because of the limited exemption authority granted the Commission in the Bus Act. On the other hand, our rail finance caseload is expected to remain stable due to a sustained high volume of rail merger and abandonment proceedings.

The Compliance and Consumer Assistance Program staff have traditionally been much more involved in motor carrier activities than in rail matters. The continuing deregulatory emphasis for motor carriers, coupled with administrative initiatives by the Commission, will substantially reduce this staff requirement. Complaint-handling has dropped considerably, (1) because of reduced shipping volume caused by the economic slowdown, (2) because of a decision by the Commission to stop handling non-jurisdictional complaints, and (3) because of increased consumer satisfaction with carrier prices and service options, particularly in the household goods industry.

Public and carrier assistance efforts will decline slightly, although the Commission will continue to emphasize educational efforts for owner-operators and small carriers, as well as rail planning assistance for States or communities facing discontinuation of services. The Office of Special Counsel will shift its efforts to expend more time representing the interests of bus passengers in today's more deregulated environment.

Monitoring of carriers, particularly by Commission field staff, will decrease substantially between FY 1982 and FY 1984. This is made possible by industry adjustment to reduced regulation and a shift towards administrative enforcement efforts, such as carrier education, issuance of warnings, and self-help initiatives.

The Commission is not assuming any noticeable reduction in staff for the maintenance of official files and records. Tariff filings are continuing to increase, as more carriers respond to a more competitive marketplace by taking advantage of the rate flexibility provided by recent legislation.

Staff-years devoted to the Commission's Enforcement Program will decrease 38 percent between Fiscal Years 1982 and 1984. As deregulation of the motor carrier and rail industries continues to progress in accordance with the provisions of the 1980 and 1982 legislation, the need for and scope of the Commission's enforcement activities will decrease. In the immediate future, Commission enforcement activity will focus on maintaining fair and equitable competition in the transportation industries, ensuring protection of the public interest, and adherence to Congressional intent. With limited resources, the Commission's enforcement efforts will be largely directed towards assisting those who are least able to help themselves, such as bus passengers and household goods shippers.

In closing, let me reiterate that the Commission has been moving forward, both administratively and legislatively, to reduce regulation whenever possible. Last year, for example, we informed Congress that for motor carriers of property, an entry standard based upon public need should be eliminated because it is no longer meaningful. Accordingly, a first cut at legislation adopting a "fitness only" standard was submitted to Congress on February 10, 1982. Since that time, the Commission has continued to study the matter and now believes that additional initiatives are in order. Close contact has been maintained with the Department of Transportation and other representatives of the Administration with regard to the development of broad regulatory reform proposals. We anticipate that legislation incorporating these proposals will be introduced shortly, and we expect to support what is introduced. However, without the enactment of reforms at least as broad as those outlined earlier in my testimony, I believe an employment level of about 1,200 employees would be necessary to meet our statutory responsibilities.

I would be happy now to answer any questions you may have.

BIOGRAPHICAL SKETCHES

CHAIRMAN REESE H. TAYLOR, JR.
OF NEVADA

Reese H. Taylor, Jr., took the oath of office as a Commissioner of the Interstate Commerce Commission on June 25, 1981, having been appointed as a Republican member and designated as Chairman by President Reagan. He was appointed by President Reagan on May 4, 1981, and confirmed by the Senate on June 16, 1981, for a term ending December 31, 1983.

From 1971 until 1978, the Chairman was a partner in the law firm of Laxalt, Berry & Allison located in Carson City, Nevada. In March of 1978, the firm was reorganized and incorporated as Allison, Brunetti, MacKenzie & Taylor, Ltd., and it is from this firm that Mr. Taylor came to the Commission. His practice consisted primarily of administrative law with particular emphasis on regulatory matters pertaining to public utilities and transportation companies

From 1967 to 1971, Mr. Taylor was Chairman of the Public Service Commission of Nevada and a member of Governor Paul Laxalt's cabinet and his Civil Defense Advisory Counsel. During his period in State government service, the Chairman was active in the affairs of NARUC as a member of the NARUC Committee on Gas; Chairman of the Ad Hoc Committee on CATV Regulation; and Secretary-Treasurer and First Vice Preisdent of the Western Conference of Public Service Commissions. He also served as Vice-Chairman of the Nevada Tax Commission from 1967 to 1969.

Chairman Taylor was associated with the law firm of Gibson, Dunn & Crutcher in Los Angeles from 1952-1958. From 1959 through 1965, he was engaged in private law practice in Los Angeles and Beverly Hills, California. In 1966 and early 1967, he was associated with Wiener, Goldwater & Galatz in Las Vegas, Nevada.

Chairman Taylor received his B.A. with distinction from Stanford University in 1949 and his LL.B. from Cornell Law School in 1952.

He is a member of the State Bars of California and Nevada and the American Judicature Society, the American Bar Association, the Washoe County Bar Association, and the First Judicial District Bar Association of Carson City, Nevada.

He is married to the former Jolene Yerby and has three children by a previous marriage.

Janice M. Rosenack

Janice M. Rosenak, the Commission's Legislative Counsel, is a graduate of Marquette University Law School, Milwaukee, Wisconsin. Mrs. Rosenak previously served as Transportation Counsel for the Senate Commerce Committee. Prior to joining the Committee in 1979, she held various positions at the ICC, including Deputy Director of the Office of Proceedings, Administative Law Judge, and Staff of Former Commissioners John W. Bush and Howard Freas.

The Office of Legislative Counsel is responsible for developing legislative proposals, preparing testimony, insuring that our legislative policy is well presented, and monitoring progress of the proposals throughout the Congressional process.

William R. Johnson

William R. Johnson became the Interstate Commerce Commission's Managing Director on July 6, 1981.

Mr. Johnson had been Manager, Government and Community Relations for the Citizens Utilities Company of California Since May 1977. In that position, he was responsible for all government and community relations in California. A 1956 graduate of the University of California, Mr. Johnson held the post of ICC Managing Director from January to March 1977.

Mr. Johnson's government experience in management includes posts as Executive Director of the California Public Utilities Commission from 1972-76; Executive Secretary of the Arizona Corporation Commission from 1970-72; and Assistant Executive Director of the Arizona Coliseum and Exposition Center from 1968-70. From 1960 to 1968, Mr. Johnson held various positions with the Kaiser Steel Corporation including the post of resident sales representative.

J. Warren McFarland

Mr. McFarland is a native of Florida and attended the University of Florida. From 1942 to 1965, he was employed by the Atlantic Coast Line Railroad Company in various operating positions in Florida.

He is a veteran of the U.S. Navy in World War II. He was Commissioned in the U.S. Army Reserve Transportation Corps in 1949 and remained active in the reserve program until his transfer into the Retired Reserve, in 1976.

Mr. McFarland joined the Interstate Commerce Commission in 1965 and served as a Railroad Service agent in Chicago and Atlanta, a Transportation Specialist in Atlanta and as Assistant Reginal Director in Chicago. He was head of the Commission's Region 6, in San Francisco, from 1973 to 1981.

On October 1, 1981, Mr. McFarland was appointed Director of the Commission's Office of Compliance and Consumer Assistance in Washington, DC.

William R. Southard

Dr. William R. Southard, Director, Office of Transportation Analysis, is a transportation economist who has held various economics-related and managerial positions during the time he has worked at the Commission.

Dr. Southard served as assistant regional director for consumer assistance in the ICC's Boston, Mass. regional office. In this post, he was responsible for all ICC consumer-related and compliance activities in an eight-state area.

Before assuming his Boston Post in 1980, Dr. Southard was the chief of the Economic Analaysis Branch and acting deputy director for analysis of the ICC's Office of Policy and Analysis. He earlier held posts with the ICC's former Bureau of Economics and was special projects manager in the ICC's former Bureau of Enforcement.

Prior to joining the ICC in May of 1973, Dr. Southard from 1969 to 1973 was a member of the faculty of the University of Oklahoma and from 1966 to 1969 was on the faculty of the University of Missouri. He earlier was employed for a number of years as an industrial transportation manager in private industry.

Ronald S. Young

Ronald S. Young joined the Interstate Commerce Commission in 1970. He served as Chief of the Section of Accounting and Assistant Director before being appointed Director of the Bureau in 1980.

Prior to joining the Commission, Mr. Young, a Certified Public Accountant, worked with two nationally known public accounting firms for several years and as an assistant controller and budget manager in private industry.

Mr. Young has served as Chairman of the Commission's Accounting and Valuation Board and Chairman of the Interagency Regulatory Accounting Subcommittee. He is also an active member of the American Institute of Certified Public Accountants, the D.C. Institute of Certified Public Accountants, the Association of Government Accountants and the National Association of Accountants.

Mr. Young is a graduate of Ohio State University and has a Master's Degree in business and public administration.

COMMISSIONER GRADISON UNABLE TO APPEAR

Senator ANDREWS. Mr. Chairman, the comments from Commissioner Gradison, of course, are the comments from somebody who has been appointed by the President. But in the years I have served on various Appropriations Committees, I find it fairly strange that she drops a statement like that in, and then isn't here to speak to her position.

It either means that she doesn't feel very strongly about the position or that you muzzled her and told her she couldn't come.

Mr. TAYLOR. Let me assure you, I didn't muzzle her.

Senator ANDREWS. You can only answer the second one. So I would assume that she is treating what she sent up fairly lightly because she isn't here to speak to it.

Mr. TAYLOR. She was going to come over on the House side, but I believe she came down with the flu and couldn't appear. I don't know why she isn't here today.

Senator ANDREWS. She probably figures that the House side will make the determination, and maybe they will, who knows.

EFFECTS OF DEREGULATION ON OWNER-OPERATORS

Mr. Chairman, under motor carrier deregulation we hear a lot of complaints, especially in the aftermath of the recent owner-operator strike, regarding dislocation suffered by the truck industry as a result of too rapid implementation of deregulation.

The Commission doesn't have direct jurisdiction over owner-operators, but what is your overall impression of the benefits and drawbacks since truck deregulation?

Mr. TAYLOR. Independently of the owner-operators for a moment, I think the difficulty we have faced is that we have gone through the deregulatory experience in the context of an economic downturn. And that has made it very difficult to really assess benefits and disadvantages because the prevailing economic circumstances that we've all been confronted with have resulted in some trucking bankruptcies.

Some trucking companies are not in very good financial condition today. No doubt about that. But when it comes to trying to prove, with any kind of empirical data, who is at fault; is it primarily the economy; is it primarily deregulation; is it more competition; is it the Commission's implementation of the act: All you get is a lot of speculation. It's very difficult to do any finger pointing.

We did have a look at a GAO study that was done. We have a copy of it here. It's one of the few things which we would like to be able to submit for the record, if you would like to have it. The indication there is that the economy is the main culprit, rather than deregulation as such.

Now with specific reference to owner-operators, they, of course, too, have suffered as a result of the economy. There is less traffic. Obviously, there is more capacity with deregulation than there has been before. Their biggest concern, I think, has been the amount of price-cutting that has gone on.

If there is one thing they would like to have the Commission do, I'm sure it is to reach out and simply provide some kind of a floor below which rates won't go. They will tell you—I spent one whole Saturday with owner-operators up in Baltimore, with a group of 300 to 400—that if only the price-cutting would end and the economy would turn around, then, to a large extent, their problems would disappear.

The problem with establishing minimum rate floors is that the Commission has simply determined that under the present act that is something that is strictly contrary to the purposes of the act. We were supposed to come up with some innovative price and service offerings and not to be building minimum rate floors.

The one disconcerting thing that has happened as far as owner-operators are concerned just recently is the *Central Forwarding, Inc.* v. *Interstate Commerce Commission* case. Because the one piece of the puzzle insofar as the owner-operators were concerned in their recent work stoppage, that the ICC sort of had a direct hand in and was trying to help them with, is the fact that on April 1, when the fuel taxes go up, we have had a fuel reimbursement program based upon mileage. We substituted that for the surcharge program in effect previously.

But a court has now held, regardless of where the money is generated, be it through a surcharge program or through a mileage reimbursement program, that the Commission does not have the legal authority, in terms of a delegated power from Congress, to actually mandate or require that payments be made by carriers to owner-operators. That, in effect, amounts to compensation for labor, and that's beyond the parameters of our jurisdiction. And the question, of course, now remains as to what we're going to do.

The Commission hasn't decided as yet. Hopefully, that case will be appealed. If it isn't, or if on appeal it doesn't get turned around, even that one area where we could have been of some help to the owner-operators, in terms of the fuel reimbursement, will be an option that is no longer available to us. And I imagine there will be some hue and cry over that.

The only thing to offset it, at the moment, is the fact that fuel prices are going down. So, at least perhaps that is some consolation, and it does look like maybe the economy is going to turn around.

Senator ANDREWS. In other words, thanks to OPEC you may be bailed out on that one.

Mr. TAYLOR. Perhaps.

BUS DEREGULATION

Senator ANDREWS. Can you comment on bus deregulation and what studies the Commission has or will undertake and the current status of the bus industry?

Mr. TAYLOR. Well, of course, the Bus Act is fairly new. It was signed in September 1982, and most provisions were not effective until 60 days later. We haven't really received any cases yet from the various State commissions on appeal to the Commission. So, that part of the mechanism hasn't had a chance to really work yet.

I hope that, on balance, the Bus Reform Act is going to work. We've all heard that there is a very substantial number of Greyhound, and Trailways, too, for that matter, discontinuances planned before the various State commissions.

I've taken the ICC's seat on the NARUC Executive Committee. I met with them last week, when they were here in town, to try and encourage the States not to just feel that because there is a certain amount of preemption in the Bus Reform Act that they should toss in the marbles and give up.

But, in fact, if they are going to present any kind of a meaningful record to the ICC on appeal, when those cases come up before the State commissions, they should really develop a very complete and full record.

We have asked our Office of Special Counsel, and specifically Mr. Schack, to work with the State commissions in that regard. We even went so far as to prepare a working paper which will be continually updated.

Through the NARUC offices in our building we have sent this to every single one of the State commissions, so they understand the new act, understand how it works, and will, to the extent they are going to deny a service discontinuance or keep a rate down that ultimately is going to get appealed to the ICC, will do so in a very responsible fashion with a decent record, and it will have some meaning and substance for us when we get it on appeal.

BUS SERVICE DISCONTINUANCE

Senator ANDREWS. Mr. Chairman, are you telling the Committee that if Greyhound wants to abandon service to a dozen small towns in a given State, that the commissions within that State have any control over Greyhound's abandoning those services?

Mr. TAYLOR. Where the preemption works is, that if we are talking about an interstate operation that is strictly within a State, and there is some State jurisdiction with respect to that, and they go to the State commission asking to discontinue so many points on that run or, perhaps, the entire run altogether, what, in effect, the State commission should do is to look at that very carefully.

First of all, to act within 120 days. If they don't act, why, then there is nothing before us other than the——

Senator ANDREWS. You are talking about intrastate. Most of the service being discontinued is interstate.

Mr. TAYLOR. But there is jurisdiction in the State commissions. That is the thing they're concerned about.

Senator ANDREWS. I am not talking about intrastate. There is very little intrastate bus service. Most of it is interstate. They go down the highways; they serve the small towns; they go from State to State; which would be interstate.

Now are you telling the committee that if Greyhound decides they want to drop out of a number of towns that they are now serving in a state like North Dakota, that our Public Service Commission gets a hold of you and you can tell Greyhound not to drop that service?

Mr. TAYLOR. No; let me quickly—I have some information on——

Senator ANDREWS. Well, either yes or no; do you control these droppings of service or don't you.

Mr. TAYLOR. If it's a strictly interstate operation, and there is no authority for the State commission, it's within our control.

I have had the Greyhound people in and tried to make it very clear to them that I would hope they would be somewhat responsible about this whole program and not try and rationalize their entire system in 3 months' time.

Senator ANDREWS. Well, sure. But hoping isn't going to make it so, Mr. Chairman. You are saying you talked to Greyhound and say you hope they will be kindly. But looking at the map that is put in front of me, it came from Greyhound lines, it happens to show that—and there are members on this subcommittee from these States—it shows that Mississippi is going to lose Greyhound service to 14 small towns.

West Virginia, whose Senator happens to serve on this subcommittee, is going to lose 40 small towns. The State of New York is going to lose 53. Yes; even North Dakota is going to lose 25 small towns.

Now you are telling me that since this is Greyhound bus service, it is interstate, all we have to do is pick up the phone and call you and you will tell Greyhound to stay there and they will stay there?

Mr. TAYLOR. No; those points that you are mentioning, Senator, I believe are intrastate points of service.

Senator ANDREWS. What do you mean intrastate?

Mr. TAYLOR. Service over which the State commission has some jurisdiction.

Senator ANDREWS. How do you define intrastate? I think you are trying to pass the buck.

Mr. TAYLOR. No; I'm not.

JURISDICTION OF STATE COMMISSIONS

Senator ANDREWS. Any Greyhound bus that I have ever seen in my State, and I suspect it is true for West Virginia as well, is going from Montana to these towns in North Dakota and on to Minnesota. Now, maybe I don't understand the definition, but I think that's interstate service.

Mr. TAYLOR. To the extent that a busline moves across State lines, and there's intrastate as well, and it can be intrastate solely within one State, too. But, then you can also have intrastate service that is solely intrastate.

What we're talking about, that's solely up to the State commissions. We don't have any trouble over that. If somebody sets up a little busline in the State of North Dakota that runs from point A to point B, and that's all it does, it's solely an intrastate operation over which the Interstate Commerce Commission doesn't have any jurisdiction at all.

On the other extreme, if you want to talk about just an interstate line that passes through North Dakota on its way somewhere else, and maybe stops at one or two points en route, that's primarily interstate service..

But you also can have a lot of service locally within the State of North Dakota, which people in the State of North Dakota are dependent upon for service, which also is interstate. It's got to tie in with us. And that's where, in effect, you have this dual jurisdiction.

Now, most all those cases you referred to are of that latter type. And in North Dakota, specifically, there have been some proposed bus discontinuances. But we've been advised that the North Dakota Commission has agreed to each and every one of them. So those aren't going to be coming before us.

Senator ANDREWS. You are telling me that the North Dakota Public Service Commission has agreed to cutting out Greyhound bus service to 25 towns?

Mr. TAYLOR. If those 25 towns involve all of the ones that they have so far addressed. We did some specific checking with North Dakota to find out.

Senator ANDREWS. I assume you did because you knew you were coming up here today.

Mr. TAYLOR. That's right.

Senator ANDREWS. If there is anything that I've found of witnesses, it is that they are fairly well prepared on the points that affect North Dakota. And, of course, as I've pointed out, West Virginia, New York, Mississippi and all of that.

Since I assume the situation in those other States is similar to the situation in North Dakota, is this map accurate; does Greyhound intend to drop service to 25 towns in North Dakota?

Mr. TAYLOR. If the map that you're talking about, which I also saw, is correct, but for New York in the East and California in the West, the heavy emphasis of points where service will no longer be available is in the Midwest and in the South. The State where there are the most is Ohio, then, I think, Illinois. Michigan has a very large number.

Senator ANDREWS. So you are telling me that the 25 spots that Greyhound intends to drop, they have cleared with the Public Service Commission or the Public Service Commission has agreed to it.

Mr. TAYLOR. Well, our understanding is, and, if they have been doing their homework, that is exactly what they should do, is go and work closely with the State commissions and make sure that if there is a way they can get those approved——

Senator ANDREWS. No; that is not what I asked; whether Greyhound is doing their homework. I can't believe that the Public Service Commission of North Dakota gave Greyhound the OK to drop service to 25 towns. But you are telling me that that is what you think happened.

Mr. TAYLOR. We have been advised that that is so. Now, I don't know; I don't have 25 at hand. We can find that out and submit it to you for the record. But there are some proposed discontinuances in North Dakota, and we're advised that the North Dakota PSC has agreed. So, my point is, those cases won't be coming before us.

Now, to the extent that it is true in West Virginia, for example, we have responded at length to Senator Byrd about his concerns, and I would be happy to make that letter a part of the record, if you would like.

APPEALS OF STATE DECISIONS TO ICC

Senator Andrews. I'm sure Senator Byrd has a copy of the letter, and it's fine.

But I would like you to explain at this point in the record just what can be done if the State commission rules against dropping these towns. Then is Greyhound obliged to continue to serve or does it then bounce into your court?

Mr. Taylor. Then they have the right under the bus reform legislation to appeal that decision to the Interstate Commerce Commission.

And the point we have tried to make with the State commissions is, don't feel that, because you think the ICC may just rubber stamp whatever the bus companies want to do, you shouldn't make a decent record at the State level before the State commission, because that is what we ultimately have to make our evaluation upon.

So in this pamphlet, we have endeavored to try and advise the State commissions to play their role. I went up to the NARUC convention in Boston and gave a speech to that effect, so that they wouldn't just figure they were going to be outdone and preempted and just come up with a cursory denial.

One of the things they told me over at the NARUC meeting was that the bus companies have not been providing them with sufficient information in their applications. So I encouraged them not to accept them. They don't have to accept the application if it isn't properly filed.

The State of Missouri has put a 30 day leadtime on it and said if you want to file in this State, you have to give us notice of intent that you're going to file 30 days before, because the time fuses are so short.

I'm sure the Greyhound people don't like that, but I think that is a rather good suggestion myself, which will give them sufficient time to act upon it.

And that is the whole thing, too, given a sufficient amount of time, probably fill-in replacement service can be obtained. The Illinois people were very adamant about bringing home to us the fact that, if we just knew in advance what was going to be discontinued, we could probably generate some alternate service, even if it's just in a van.

Because the people that do ride in buses are the sick, the old, the young, and the poor, who really don't have any other way to go. And it is important to try and find substitute service whenever you can, and, given some time, that normally can be done.

In Florida, without regulation down there, strictly on an intrastate basis, it's worked pretty well. But you do have to have a little time to make it work.

And we have that opportunity, too, on the other end after the whole proceeding is over, to see that some alternate service is provided. The ICC can, when it sits on the matter on appeal, force the continuation of that service for a period of time so that some alternative service is arranged.

We have yet to see how the whole thing is going to work, because we haven't gotten our first case yet. With the time that has to run, the first case we could have gotten would have been probably the latter part of February. But we expect to be getting some very, very soon.

Senator ANDREWS. But you do have the authority to overrule the bus company and rule with the individual State public service commission.

Mr. TAYLOR. Yes; we do.

ALTERNATIVE SERVICE UNDER DEREGULATION

Senator ANDREWS. And I would suspect that that is maybe what you're doing. We get a little gun-shy up there because prior to airline deregulation we had seven cities in my State served by major airlines. After airline deregulation, that great, wonderful bill that was supposed to bring us more service, we now have four cities served by airlines.

I don't see how the consumer benefited from that. Not only that, but the four cities that are served are paying twice as much as they ever were before for an airline ticket, and yet the planes that go out are full-up.

Now if Greyhound drops 25 towns out there in my State, and in similiar numbers of towns, in greater numbers of towns, really, in West Virginia and New York, this business of finding alternate transportation is a little bit more difficult—you know, you are making it sound as though there is no problem, you just go out there and suddenly another bus system springs up like a mushroom.

Well, it doesn't do a whale of a lot of good to have these itinerant bus services coming up because, although they get into the town that Greyhound does serve, and unless they get there at precisely the time the Greyhound bus goes through, you force that traveler, who is the handicapped, who is the old, who is the youngster, or whatever, to wait for 2 or 3 hours to go on to wherever they eventually want to go. And that's probably some town in Minnesota, and then they will have to get on another rickety-pickety busline to go to the town that used to be served by Greyhound.

So as far as serving the public, I take a real dim view of it. And the more I think about it, the happier I feel that I voted against that deregulation.

Mr. TAYLOR. There is one difference, Senator, between aviation and bus, in that it takes——

Senator ANDREWS. I didn't vote against aviation deregulation. That is where I made the big mistake. I did vote against rail deregulation, and bus deregulation.

You know, I may be a little slow, but eventually I get smart. This darn deregulation was cracked up to be a whale of a lot more than it actually turned out to be. It was one of those glittering things that everybody said hooray, hooray, and all it has done is increased costs and added to an awful lot of headaches and given much poorer service.

Mr. TAYLOR. It does take a lot more money to get into the aviation business than it does to get into a bus business. We've had a problem in Nevada with that, too. In sparsely settled, small States we're always concerned about losing any kind of transportation service. But it does take quite an investment to get into the aviation business. It doesn't take quite as much for the bus service.

Senator ANDREWS. And it takes a whale of an investment to get into the railroad business.

Mr. TAYLOR. Right.

Senator ANDREWS. It is awfully hard to move those tracks around and you can fly airplanes around.

RAILROADS HAVING TRUCKING AUTHORITY

In the railroad business, you made a recent decision removing the restrictive barriers to railroads owning motor carriers by allowing railroads to apply for motor carrier operating rights on the same basis as any other enterprise. In the past they could only be granted trucking authority under special circumstances.

What effect is this change in policy likely to have on the railroad and trucking industry?

Mr. TAYLOR. Well, we think that——

Senator ANDREWS. Are they likely to apply for these motor carrier operating rights; are you seeing much of that?

Mr. TAYLOR. We think that change is one, really, for the best. We were directed to uphold the National Transportation Policy, and one of the requirements in that policy is to recognize and preserve the inherent advantage of each mode of transportation.

Our view is that the special circumstances doctrine, which actually—the matter that dealt with that was Ex Parte 156, *Applications for Motor Carrier Operating Authority—Railroads*—governed motor carrier operating authority issued to railroads or rail affiliates, and restricted such authority to incidental rail service, unless special circumstances were shown, demonstrating that unrestricted authority was required to fulfill a compelling public need for a service not being offered by independent motor carriers.

Now obviously from a shipper's point of view, if he can take something door to door, that's got to be the greatest convenience possible. And there are already some 18 of the railroads that are in the trucking business in one manner, shape, form, or another, so it isn't anything new. It's something that has gone on for some time. The problem with it is the extent to which you get anticompetitive ramifications as a result.

This case did not deal with acquisitions of motor carriers. It dealt with railroads seeking to obtain, on their own, motor carrier operating authority. The matter of acquisitions of operating authority is specifically dealt with in section 11344(c).

And there are some tests which must be met in order for a railroad to acquire a motor carrier. And there has been a special circumstances twist, I might say, on one of those tests.

It's permitted now for a railroad to acquire a motor carrier, and the Commission may approve and authorize the transaction, but only if it finds that the transaction is consistent with the public interest.

Then this second test, which is the important one: Will this authority enable the rail carrier to use motor carrier transportation to public advantage in its operations? And, third, that it will not unreasonably restrain competition.

Of course, the competition is always an important consideration. But the question now arises as to whether or not, in acquiring a motor carrier operation, an eastern railroad decides that perhaps they may want to acquire one out on the west coast, and what do the words, "in its operations," mean?

Does that mean that there must be some physical connection or tie between the trucking operation and the rail operation? Or, can it be some kind of a gathering operation for the rail, which has an interest in it, perhaps, going over somebody else's rail line before it ever gets to the East?

We have a rulemaking that is going to address the interpretation of that statute, which is Ex Parte 438. It will deal with the interpretation of section 11344(c) and, specifically this second requirement that I have talked about.

That isn't out yet. That's just really underway.

Now, also, Senator Packwood's "Superagency" bill has, in title 1, a number of intermodal propositions which really all go to removing or eliminating intermodal restrictions.

What they do with section 11344(c) is not eliminate the whole section, but they eliminate those three tests that I have just discussed.

So, for all practical purposes, if that aspect of his "Superagency" bill gets in, there will be no intermodal restrictions at all.

Whether it is a good thing or a bad thing, of course, remains to be seen. The proof of the pudding is in the eating.

"SUPERAGENCY" BILL

Senator ANDREWS. Do you favor the "Superagency"?

Mr. TAYLOR. Our Commission hasn't taken an official view on it yet. But it's my own personal belief that it's probably a good idea.

FURTHER DEREGULATION

Senator ANDREWS. I understand the administration is going to transmit to the Congress, shortly, legislation to further deregulate surface transportation.

What role has the ICC had in formulating these proposals?

Mr. TAYLOR. We really just tried to stay current with everything they're doing. Jan Rosenak, my legislative counsel, has worked very closely, along with Bob Shepherd of my staff, with the DOT people.

Senator ANDREWS. Then you have been consulted by the Department of Transportation, and you have been active in advising them on how to draft this.

Mr. TAYLOR. No; I don't think we've really advised them. They've got some notions as to exactly what it is they want to accomplish and then they have come to us. For example, in the rail area——

Senator ANDREWS. Don't these notions flow both ways, or are they just telling you what they are going to do and you sit back and listen?

Mr. TAYLOR. I think we've had some input. We haven't had as much as they have. I'll be totally frank and honest with you about that. I think they are steering the ship, but they've asked us, from time to time, whether we ought to veer in this direction or that.

Senator ANDREWS. Do you think that these proposals are going to be worthwhile?

Mr. TAYLOR. From what we hear, they are going to be confined to freight carrier operations. There are not going to be any suggestions made in the rail area, although, as I understand it, the National Coal Association is somewhat disturbed about a couple of our recent rulings.

That may lead to some reopening of Staggers, anyway, but I don't think the administration is going to propose it. And everybody seems to think the bus bill has been so recent and just now come into being, that that ought to be given a chance to function and operate without any change.

So, I think the answer is that it's all going to be in the freight carrier area. And from what I hear of it, I think we'll probably be supporting it. Whether it will get enacted is something else again.

Senator ANDREWS. Mr. Chairman, the Congress has relied on the ICC to provide us with an independent analysis of administration's legislation. This has been true regardless of which party occupied the White House.

Now, as an arm of the Congress, do you believe the Commission can work hand-in-glove with the administration, with the Department of Transportation, on this far-reaching, shall we say, new proposal, and then turn around and give the Congress your independent judgment about the soundness of the legislation, when you've been a part of the foxes living in the chicken coop all that time.

Mr. TAYLOR. I think we can be very independent about it. As a matter of fact, we have worked with the Congress, as well. It has not been confined to the administration.

Senator ANDREWS. Don't you suspect your independence as a so-called arm of the Congress by doing that?

Mr. TAYLOR. I had breakfast this morning with Senator Packwood to discuss the whole package, and what was coming on with his Study Commission, and when that would be transformed into legislation and when that would be introduced.

We've also maintained very close rapport with all the people on the House side. So I don't think there is anybody on the Hill that doesn't know what we're doing or what is coming down.

Senator ANDREWS. I'll grant you that.

But, again, here comes this innovative suggestion on surface transportation supposedly from the administration. Here is the independent body, the ICC, that is supposed to give us the independent feeling about whether or not it is good legislation.

And the fact that you tell me you are having breakfast with Senator Packwood, and I would suspect others, are those breakfasts shilling operations trying to sell this thing before it comes up?

Mr. TAYLOR. No; it's a matter of keeping you informed as to what is going on, and trying to find out ourselves when we can expect all this to transpire.

Senator ANDREWS. How can you be——

Mr. TAYLOR. This legislation is so important to us, Senator, our budget hangs on it. As I indicated earlier, if we don't get some kind of legislative action before October 1983, we're not going to be able, in my opinion, to live with the 1,100 people that have been suggested under the OMB proposal.

Senator ANDREWS. Well, I know there is a dissenter on the Commission who sent a note up and didn't come to defend the note. So that solves that bit of debate, too.

EFFECTS OF TOO RAPID DEREGULATION

Let me run one other thing by you. Last year you came to our subcommittee with an analogy of what might happen if deregulation occurred too rapidly.

As I recall, you had a couple of deep sea divers, Mac and Ray.

Mr. TAYLOR. That's right; Mac and Ray.

Senator ANDREWS. Yes.

You suggested that if they came up from the depths of the ocean too rapidly, they were going to get the bends. In other words, if deregulation went too fast, that trouble was going to occur.

Now, this past December, you told the Senate Commerce Committee that the time had come to sunset the ICC. Within the past 2 weeks, the Commission has acted to lift controls on rail rates for export coal, deregulated rail boxcar traffic, and additional farm products, giving the railroads nearly carte blanche authority to raise their rates on domestic coal traffic.

You just told the Committee that, fine, Greyhound was going to abandon 40 towns in West Virginia and 25 in North Dakota, and we can always find a replacement for that.

I wonder if Mac and Ray are getting a real case of the bends out of all this rapid action, or if you forgot about the Mac and Ray story that you told us last year.

Mr. TAYLOR. No; I haven't forgotten about it. It's in my office, and I look at the picture every single day.

What the Commission has done in the rail area, if you'll permit me to address that first, at least insofar as export coal is concerned, and the boxcar exemption, I wholeheartedly disagree with both of those decisions.

I am going to write very vehement and strong dissents. They are totally inappropriate, particularly the boxcar exemption. It is true, and you perhaps know this already, that some 10 percent—the latest figures we have are for 1981—that some 10 percent of the full car movements of grain out of North Dakota are performed in boxcars.

Senator ANDREWS. That's right.

Mr. TAYLOR. Some 25 percent of the full car movements of grain out of South Dakota move in boxcars. I don't know why that is, but——

Senator ANDREWS. Mr. Chairman, you are getting in tune with the subcommittee. You are doing all right now, keep going.

Mr. TAYLOR. That's a totally inappropriate exemption for the Commission to have authorized. And the railroads, I must say, right across the board, except for Conrail, they originally came in and asked for that boxcar exemption just for themselves. And they quickly realized there was no way it would work if it was just for the Conrail system. So they broadened it then to include the rest of the country. The only problem was, they didn't have evidence to support it for the rest of the country. They only had their own evidence.

Senator ANDREWS. The ICC granted it.

Mr. TAYLOR. You're right.

Senator ANDREWS. Now you have a situation where the ICC, in the name of deregulation, I guess, or in the name of foolishness, has deregulated the rates on coal shipment, on grain shipment, on a whole host of other things.

EFFECTS OF EXEMPTIONS

You know, what really are your plans for monitoring effects of these exemptions on shippers? It looks to me as though you can come back in 6 months or 1 year and give us a summary about what has been going on, but by then it is probably going to be too late.

Mr. TAYLOR. All I can tell you is that we do have the authority, if I ever get some more commissioners down there, to revoke an exemption if it doesn't work out properly.

And as far as I'm concerned, that boxcar exemption was entirely wrong. It isn't even in keeping with the free market approach. Because suddenly, now, there is a premium for the railroad to ship something in a boxcar because that's exempt.

USE OF RAIL PROFITS

Senator ANDREWS. And every lumber dealer in every small town can't move off of those tracks. They are captive customers. And every grain elevator, and every coal mine that is shipping grain or coal, is stuck with those rates.

Under deregulation, you know, this wonderful panacea that is going to take care of the people of this Nation, the people are getting gouged, unless I am mistaken. Who has the authority to take a look at these railroads when they impose these new higher rates and say they are even necessary to ship the grain or move the coal?

Or are these rates going to be used to tumble into the coffers of the railroad companies so they can go out and buy other companies; gas pipelines and, who knows, Disneyworld, or a host of other things?

Aren't you seeing railroad after railroad taking railroad money and putting it someplace else? In effect, taxing the American public on the things they have to ship, and then using those excessive dollars to be transferred out of transportation and into other areas, where the corporate board can sit up and decide, boy, we are now a conglomerate, we don't have to stay in the transportation field.

What protection, Mr. Chairman, are you and the ICC giving the American public, following this rate decision you made, that these transportation charges are going to continue to be used for transportation infrastructure?

And what assurance can you give them that these transportation rate attacks, if you will, on the shippers and consumers of this Nation, aren't going to be used to aggrandize the corporate profits of the people that happen to be fortunate enough to be in the railroad business? They take their booty and move out in just exactly the same way that the railroad robber barons of a century ago operated.

Are we back full circle?

Mr. TAYLOR. I don't think we are, Senator.

Senator ANDREWS. But what controls have you got that this money is not going to be used for nontransportation services?

Mr. TAYLOR. We did a proceeding on that as well, maximum coal rate guidelines, which should also be applied eventually, I'm sure, to grain and other areas where there is market dominance on the part of the railroads.

Senator ANDREWS. You are telling this committee that if the railroads raise the shipping rates on grain by 20 or 25 percent, shipping rates on coal by 20 or 25 percent, you are going to assure this committee, and the Congress, and the American people, that that money is going to be used to heavy-up the transportation systems of this country?

Mr. TAYLOR. The railroads have a tremendous burden in trying to look after their own internal operations. And I might say, I don't know whether the Burlington——

Senator ANDREWS. Mind you, I'm not one of those that is fussing if they need it to upgrade track bed and if they need it for a host of other things, and to buy equipment.

The only question that I asked you is, can you assure this committee, and through it the Congress and the American people, that the higher rail rates your Commission has allowed to go into effect, are going to be used to service the transportation industry of this country, or are they going to be put into other investments that have nothing to do with transportation?

Mr. TAYLOR. As long as we have the authority to supervise rail service, the Commission is going to see that decent rail service is provided in the public interest. That's our responsibility.

Senator ANDREWS. That does not answer the question that I asked.

Are they going to use this money that they are getting in these increased rates to upgrade the track and equipment, or are they going to put it in something that has nothing to do with transportation?

Mr. TAYLOR. Senator, you're assuming that there's a great pot over here of excess profits.

Senator ANDREWS. No; I'm assuming and concerned that there is a cream skimming operation coming into this country, the likes of which has not been seen in 100 years, and it frankly bothers me.

And that is why I'm asking; can you assure the committee that this is not going to happen?

Mr. TAYLOR. I can assure you that we are going to try and stay on top of it as best we know how. That we are going to see that adequate service is provided to the public.

And, insofar as the railroads' needs are concerned—let me just read one little brief paragraph from a communication I just received from the Burlington Northern. As a matter of fact, it came in yesterday. They are talking about some of their achievements, another significant achievement of their railroad:

> * * * is our ability to maintain our capital expenditure program during 1982 in the face of the recession. While all other major railroads substantially reduced or eliminated their programs, we maintained ours at the budget level of almost $400 million. This year we are projecting an 18-percent increase which will result in a program level of over $465 million. Our program will be more than double that of any other rail system. This commitment to the future of the railroad should quiet any fears that our acquisition of El Paso Gas is an indication of the BN's intention to disinvest in the railroad.

ADDITIONAL TARIFFS GOING TO SERVICE TRANSPORTATION

Senator ANDREWS. That is true, Mr. Chairman. But you know that old deal of the witness who sat in front of the committee and slipped, slid, and ducked all around the question.

You said that they are going to invest $400 million. Fine. But if they are taking in from the shippers, from the consumers, $800 million, and then transposing $400 million of that into transportation infrastructure, they are confining the amount of the additional tariffs that go into the service of transportation, and they are in fact cream skimming.

Now, again, we get back to that basic question. Your Commission, with you abstaining or on the other side, and I think I have reason to applaud you for that, has granted these massive new rates on the shipment of coal and the shipment of a good deal of grain.

And we get down to the bottom line. Are these additional tariffs necessary for the maintenance of transportation, and do we have the solid assurances that they are not going to be skimmed off and put some place else?

Mr. TAYLOR. Well, you see, that's the real issue, I think, Senator.

Senator ANDREWS. I know it is the real issue. That is why I asked the question.

Mr. TAYLOR. You used the words "cream skimming" two or three times.

Senator ANDREWS. How else would you describe it?

Mr. TAYLOR. We ought to get Director Young of our Bureau of Accounts into this, because I think this is a very important discussion to have.

The Burlington Northern's return on investment we found to be 4.3 percent, and their cost of capital is 16.5 percent. Now on the basis of those two figures, our Commission still views the Burlington Northern as revenue inadequate.

So the basic point of difference, I think, between your comments and where the Commission is coming from, is whether we're talking about "cream skimming" or whether the Burlington Northern, in terms of its railroad operations at least, is trying to put itself in a revenue adequate position.

Senator ANDREWS. And the question is again, Mr. Chairman, I think totally clear. Because the question is not whether a given railroad is getting an adequate return on investment. The question is whether a given railroad, or a number of railroads, will be using these new higher rates to reinvest in railroad facilities, or to invest in other totally non-transportation facilities.

My concern is expressed on that. It is an up-front concern we should address now. Frankly, the Burlington Northern is doing one of the best jobs of reinvestment of any railroad in the country.

But I wouldn't trust any railroad as far as I could throw a General Electric locomotive—and I don't feel all that strong this morning—neither should you, really. And I talked about what was going to happen on the floor of the House and we got railroad deregulation.

Unfortunately it has happened just as we predicted. Abandoning branch lines, pulling out of here, there, and everywhere. And there are no alternatives, unless you run trucks down over already overloaded road systems that cost the public a whale of a lot more than maintaining the railroads.

I support rehabilitation of branch lines. I support adequate rates. But I think we ought to start drawing the line at rate structures that have come out of the ICC, when we don't know whether those additional tariffs are going to go back into transportation oriented facilities. That is the question I asked.

And you can't assure us that these additional rates are going to be used to shore up transportation facilities.

Mr. TAYLOR. ICC staff who do the monitoring of that, and who are charged with the responsibility of staying on top of what happens and where all of those funds go, and the extent to which it's reinvested, are the people in our Bureau of Accounts.

And, if I could, I would like to ask Ron Young, who is the Director of our Bureau of Accounts, to just briefly comment upon what he is doing.

Senator ANDREWS. Fine.

Mr. TAYLOR. Maybe he can give you something more concrete than I have.

Senator ANDREWS. Fine.

STATEMENT OF RONALD S. YOUNG

Mr. YOUNG. We all share your concerns, Senator; I know the Chairman does.

To get to your question——

Senator ANDREWS. The Chairman does because he voted, I think, the way I would have voted had I been on the ICC, on that particular issue.

Mr. YOUNG. I would like to try and address the one question I've heard you mention a couple of times is: How do we know that the money is being reinvested in the railroad?

We do have through our audit——

Senator ANDREWS. No; correct that just a little bit. You know how the money is being reinvested now.

My concern is, we don't know and we can't control how the money will be reinvested in the future.

But go ahead with your story of what is being done now.

Mr. YOUNG. We are continually monitoring all of the railroads vis-a-vis their holding companies and the other companies within the conglomerate, to see what happens to the moneys that are earned by the railroad, how much is passed up to the holding companies, and what is happening with the holding company in general. We are looking at the dividends.

We have a very comprehensive program to monitor regularly the investment in the track structure of the railroads, and we also know the extent to which they are replacing rolling stock.

This is done on an ongoing basis.

And we do report to the Chairman, and we have promised to report to you, as a matter of fact, periodically, on—I think the Burlington Northern was one of the railroads.

Senator ANDREWS. Let me go the obvious next step.

Let's say you report to us, and you say that railroad *x*, if it is a railroad in Senator Byrd's State that has to do with hauling coal, or if it is the Burlington Northern in North Dakota that has to do with hauling grain, and you report to us that you are finding that these additional tariffs, half of them are being spun-off and expended on new interests, really, nonrailroad interests, then what do you do? Where are the teeth?

Is there an automatic trigger that the ICC is going to invoke to cut back these rates because they are not using these rate increases to take care of the transportation structure?

Mr. YOUNG. If the new guidelines which the Commission has proposed are ultimately formally adopted by the agency and go into effect, once railroads become revenue adequate, and even, indeed, while they are moving toward revenue adequacy, we would be scrutinizing any further rate increases on market dominant cases on a case-by-case basis.

The extent to which we can determine that those rate increases are not justified, because of things such as either divestiture from the railroad or violations of, let's say, the Long/Cannon factors, management inefficiencies, and so forth, I assume that the Commission would be very hesitant in any grants of any further rate increases.

In the meantime, however, even while the railroads are not revenue adequate but are moving in that direction, should we see any substantial divestiture out of the railroads, we would report it to you.

As to what we can do as an agency, I think the Chairman would have to speak to that. You may or may not recall, there was a conglomerate study done several years back, I think it was under the 4-R Act, and the Commission at that time, I believe, pointed out its limited authority in this area.

Therefore, it's my understanding that the ICC does not have any power to keep assets from going out of the railroad industry. As to whether that's a good or a bad thing, I'm not making that judgment. But I think that's the state we're in presently.

Mr. TAYLOR. I would also point out that the Commission, although I wasn't around at the time, did suggest changes which Congress didn't adopt.

BUS DEREGULATION EFFECTS

Senator ANDREWS. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

I understand that you have already asked some questions with regard to the Bus Regulatory Reform Act, which I voted against.

Senator ANDREWS. I pointed out that I voted against it.

Senator BYRD. I voted against it. I sort of learned my lesson about deregulation when I voted to deregulate the airlines.

Senator ANDREWS. I made the same mistake.

Senator BYRD. And West Virginia is paying the bill for transportation to the west coast, overseas travel, and so forth, I suppose.

But I said at the time that the Bus Regulatory Reform Act of 1982 was before the Senate, that many towns and communities in rural areas, rural States especially, would suffer the consequences, and that it might be a great thing for the large urban communities, I didn't know.

But what I expressed as a concern at that time is becoming a reality in West Virginia. I am concerned over the impact which this legislation is having and will have on my State of West Virginia.

For example, the West Virginia Public Service Commission has held 14 hearings on proposed abandonments by Greyhound and Trailways. And at each hearing public opposition to the discontinuances or curtailment of bus service has been expressed loudly and clearly.

The West Virginia Public Service Commission indicates that any decision it may issue to require the continuance of bus service will be appealed to the Interstate Commerce Commission.

Mr. Chairman, you and I have had some correspondence on this matter.

Mr. TAYLOR. Did you get our letter, Senator?

Senator BYRD. Sir?

Mr. TAYLOR. Did you get our letter?

Senator BYRD. Yes.

Mr. TAYLOR. I think it was only hand-delivered yesterday.

Senator BYRD. Yes; I got your letter. I have a copy of it right here.

Which I ask, Mr. Chairman, be put into the record.

Senator ANDREWS. I would be glad to put it in the record.

Senator, might I ask your indulgence. I have some questions left that I would like to submit for the record, and I'm sure Senator Chiles will have some questions.

I would like to turn over the hearing to my colleague and good friend, Senator Byrd, and when you are done with your questions, if you would recess the hearing.

Senator BYRD. I will be glad to.

Senator ANDREWS. I have to go and meet with Senator Domenici. We have a budget problem. I'm sure the Senator from West Virginia is well aware of the budget problems that we have.

Senator BYRD. Yes.

I will have just a couple of questions, Mr. Chairman, and then I will recess the hearing, until what date?

Senator ANDREWS. Tomorrow at 10.

Senator BYRD. Tomorrow at 10.

Senator ANDREWS. We will hear the Civil Aeronautics Board.

Senator BYRD. All right. Thank you very much.

And, so, without objection my letter to the Chairman dated February 24, and his response dated March 14, will be included in the record at this point.

[The documents referred to follow:]

LETTER FROM SENATOR BYRD

FEBRUARY 24, 1983.

Hon. REESE H. TAYLOR, Jr.,
Chairman, Interstate Commerce Commission,
Washington, D.C.

DEAR MR. CHAIRMAN: The implementation of the Bus Regulatory Reform Act of 1982 (Public Law 97-261) is beginning to deteriorate the transportation system in West Virginia. I am concerned that proposals made by major bus companies to abandon or curtail service, which are pending before the West Virginia Public Service Commission, will isolate many small communities in my State.

I opposed passage of Public Law 97-261, primarily on the grounds that the legislation permitted bus service to be easily abandoned or curtailed. When the legislation was being considered by the Senate, I argued that small communities would be likely to lose service. That is precisely what is underway in West Virginia.

Shortly after the Bus Regulatory Reform Act became effective on November 20, 1982, the two major bus companies that provide service to my State filed petitions with the West Virginia Public Service Commission to abandon or curtail most of their intrastate routes. A total of 14 public hearings on these petitions have been held to date, at which solid public opposition to the proposals was heard. Many people in the communities affected by the proposed abandonments have no alternative means of transportation. This is especially true of elderly and lower income people. The normal flow of commerce is also dependent on bus service in much of rural West Virginia. For example, routine deliveries of medical supplies and consumer goods are made by bus. Removal of bus service would disrupt this flow.

I urge you and your fellow Commissioners to consider the plight of small communities in West Virginia that are threatened with the loss of bus service. While no dockets concerning the proposals to reduce bus service in West Virginia are currently pending before you, I anticipate that these petitions may soon be referred to the Interstate Commerce Commission.

I direct your attention to Section 5 of Public Law 97-261, which sets forth modifications to the national transportation policy of the United States. Section 5 includes a requirement that the Federal Government, in regulating motor carrier transportation and bus service, "* * * provide and maintain service to small communities and small shippers and intrastate bus services."

I urge the Interstate Commerce Commission to give the most thorough consideration to any request for abandonment or curtailment of bus service in West Virginia, and scrutinize any such request to make certain that the policy statement of the Bus Regulatory Reform Act concerning small communities, small shippers, and intrastate bus service is followed.

Thank you for your consideration of this matter.

With best regards, I am

Sincerely,

ROBERT C. BYRD.

LETTER FROM REESE H. TAYLOR, JR.

MARCH 14, 1983.

Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: Thank you for your recent correspondence in which you express your concern about the effects of the Bus Regulatory Reform Act in the State of West Virginia. You ask that this Commission carefully consider such effects, particularly with respect to small community bus service, in any proceeding which might come before us.

As you are aware, a stated objective of Congress in enacting the Bus Regulatory Reform Act of 1982 was to eliminate outdated and cumbersome regulation, thereby allowing greater flexibility of service, improved efficiency, and increased competition. To that end, the act provides that interstate carriers should be permitted to reduce or discontinue service over intrastate routes when continuance of that service would constitute an unreasonable burden on interstate commerce. However, it is also recognized that the national transportation policy includes, as a goal, providing and maintaining service to small communities, and that in considering requests of carriers to reduce or discontinue service over intrastate routes, the Commission must consider specifically the effect on small communities.

Both the exit provisions of the act and our regulations implementing them enable participation in our exit proceedings by State officials and regulatory bodies, by local governments, and by parties of record in any State proceeding involving a proposed reduction or discontinuance in service. Though we have not yet received any petitions for permission to reduce or discontinue intrastate service, we anticipate that those objecting will participate actively in developing a record that will enable us to weigh all the factors that must go toward determining the merits of such requests. To help facilitate this process, the act permits the ICC to assist local governments in presenting their positions effectively, and our Office of Special Counsel has been designated the responsibility of providing such assistance.

In deciding whether continuance of intrastate service would constitute an unreasonable burden in interstate commerce, we will, of course, be concerned with, and will consider fully, the interests of small communities. However, we will have to balance those interests with the other elements of the national transportation policy. We will not be able to consider the various interests in these cases in a vacuum. Instead, we will have to decide the cases in the context of a balanced regulatory scheme that takes into account the interaction of the entry, rates, and exit provisions of the act.

The act not only creates a means for discontinuing service over intrastate routes, but also the act makes it easier for new carriers to enter the industry and for existing carriers to serve new areas. We expect that voids in service created by reductions or discontinuances will be filled by new entrants. In order to insure that result, we may require continuance of service for a period so that States and affected communities will have time to find replacement carriers without a disruption in service.

In the specific case of West Virginia, the Commission's Office of Special Counsel (OSC) has been in frequent contact with officials of the West Virginia Public Service Commission about the proposed reduction of bus service mentioned in your letter. The State agency has successfully compelled major passenger carriers (both through court action and negotiation) to seek its approval for reductions of service on intrastate routes to less than one round trip per day (excluding weekends), which Section 16 of Public Law 97-261 treats as a discontinuance subject to initial State review.

OSC has been assigned to assist States and communities, including their representatives and citizens, who wish to participate in Commission proceedings instituted by carriers seeking to discontinue intrastate bus service. A paper entitled "Public Participation in Interstate Commerce Commission Cases Under the Bus Regulatory Reform Act of 1982," prepared by OSC for use by such parties, is enclosed. Moreover, through the good offices of the National Association of Regulatory Utility Commissioners (NARUC), copies of this paper have been supplied to all State Commissions.

It is hoped that this reply will offer some reassurance with regard to the concerns you have expressed. I am circulating your letter to my fellow Commissioners, and I trust you will continue to call upon us whenever we can be of assistance.

Sincerely yours,

REESE H. TAYLOR, Jr., *Chairman.*

FIELD HEARINGS ON BUS DISCONTINUANCES

Senator BYRD. Should the decision of the West Virginia Public Service Commission be appealed to you, it would be extremely difficult for individuals who are affected by such discontinuance to travel to Washington to attend hearings.

In that kind of situation would the Commission hold field hearings on the discontinuance of service in order that those people who would be most affected would have an opportunity to be heard?

Mr. TAYLOR. Senator, there is no plan to do that. But you raise one of the very important things that we have endeavored to instill in the State commissions, who I think in the beginning were somewhat disturbed about the fact that there was an element of preemption here, and that the authority that they have traditionally had was being taken away.

I took the ICC seat on NARUC, went to their executive committee meeting that was held just last week here in Washington, went to Boston and spoke to them. I said, don't get upset and take no action because you think you've been preempted, you have a very, very important role to play in terms of this Bus Regulatory Reform legislation.

And what that role is, which the West Virginia Commission is doing, which we have encouraged them to do—as a matter of fact, we had our Special Counsel put this booklet together for the exact purpose of trying to make sure that when the State commissions have those proceedings, they develop a full, ample, and complete record, that all of the people who are going to be concerned do come in and express their problems and their difficulties with the situation.

Because it's on that record that our Commission then will have to enter some kind of a ruling, really, as an appellate body.

And if the State commissions just kind of sit back and say, well, the ICC is going to overrule us, overturn us, we don't have to do much, then we're not going to have much of a record to deal with.

But if they all act as the West Virginia Commission has acted, as I understand so far and held very thorough hearings—our Office of Special Counsel has worked very closely with the West Virginia Commission so that they do understand not only the act, but what they should do in perfecting their record so that all that material appears in front of us—then I think the need for any additional hearings to go back and, in effect, try the case de novo out in the field is really obviated. But the thing that we have to impress on the State commissions is that they do act responsibly or the legislation isn't going to work.

Now, some of them told me at the executive committee meeting here last week that one of their difficulties is that the bus company is filing applications with them that don't have any information.

I said, don't allow that. You don't have to accept those applications. Force them to give you a complete showing of what it is they are trying to do, so that you can make sure that when we get it on appeal, so to speak, that there is a full and complete record.

I think in the case of West Virginia, that's going to happen. We don't have any West Virginia cases yet. With the 120-day appeal time, I guess the earliest we might have gotten any would have been some time late in February. But we expect we will get them.

I can't tell you how the Commission will rule with respect to them. But I, for one, intend to have a very, very careful look at each and every one, because I am also from a small rural State that is sparsely settled, and realize only too well that the people who ride buses for the most part are the old, the sick, the young, the poor, who can't get anyplace any other way.

We've got a lot of Indians—I used to represent a small bus company in Nevada before I went on the Commission—who wouldn't get to the Washoe Medical Center if they didn't get there in a bus.

So we are very, very aware, at least I am, very conscious of the need for maintaining some service.

We've also asked the Greyhound people to come in and not try and rationalize their entire system in 3 or 4 months. Whether they will listen to that or not, I don't know.

But at least as far as the Commission's role is concerned, and specifically with regard to West Virginia, we hope that we will play our appellate role in a very responsible fashion.

Senator BYRD. Well, you did not answer my question.

Mr. TAYLOR. I don't think we'll have hearings in West Virginia, if that's what you were asking.

Senator BYRD. That is what I had in mind.

I'm not referring to the public service commission. What I'm referring to are those individual West Virginians, to whom you have just alluded, who will not have—I am talking about the poor, the old, the decrepit and so on—who have no other means of getting around.

Who certainly won't have the means of coming to Washington to make their case and to be heard, and to protect their interest.

FEASIBILITY OF FIELD HEARINGS

Why would it not be feasible for the Commission to have some field hearings on the discontinuance of service in order that those people who are going to be affected by this legislation would have an opportunity to be heard?

Mr. TAYLOR. Because, Senator, it's my understanding that if the West Virginia Commission is doing what I think they are doing, they have really made themselves available to almost anybody who wants to be heard on this matter in West Virginia.

And that testimony, and those presentations from those very same people who are unable to come to Washington, should already be of record with the West Virginia Commission.

So that when that is transmitted to us to review, and determine whether or not the West Virginia determination, be it a denial, let's assume, should be upheld or overturned, that those presentations will already be in the record, because the West Virginia Commission, which is there in the field, has afforded the local people in West Virginia the opportunity to be heard.

What I am suggesting is that under those circumstances, and I think that's what the West Virginia Commission is doing, we've certainly encouraged them to, then we wouldn't go back into West Virginia and do the whole thing de novo, all over again.

Senator BYRD. Well, I have no question with respect to the Public Service Commission of West Virginia. I was warned by them before I cast my vote as to what the impact of this legislation would be on West Virginia.

I think I placed in the Congressional Record the communication that I had received, or at least I referred to it, from the Public Service Commission of West Virginia, urging a vote against this legislation.

I would imagine that if other Senators had had the same message from their public service commissions, they might have been a little bit more aware of what the impact of that legislation would be on their States.

As I recall, the vote against the legislation was not a large vote. Only a handful of Senators voted against it.

Mr. TAYLOR. I think there were only 10, if I'm not mistaken.

Senator BYRD. And possibly fewer than that against the Conference Report. I voted against both.

But I can understand the logic that you bring to bear upon the question; yet, it seems to me that if the Commission would go into a State like West Virginia and hold some hearings, this would raise the flag to those like Greyhound and Trailways.

They would see that the Commission is indeed going to take a look at this thing. If they appeal to the Commission, that the Commission is going to go beyond perhaps the ordinary call of duty, and is going to hold some hearings in that State and let the people be heard who might not be able to attend the meetings and the hearings that are being conducted by the public service commission.

It would be a warning to the big, big bus companies that the Interstate Commerce Commission is going to be looking right down the back of their neck and using a blow torch on them if they discontinue service and where a substitute service has not indeed been found.

ALLOWING TIME FOR SUBSTITUTE SERVICE

Mr. TAYLOR. Well, of course, that is one of the problems, allowing enough time for substitute service.

Let me just say as far as your suggestion is concerned, nobody at this juncture—because we haven't dealt with any cases yet, we still have our first one to get into, and we haven't even received so much as one appeal—nobody has absolutely ruled out the possibility of going out and holding field hearings.

And you've made the suggestion, and because it's you it will be taken very seriously, I can assure you.

You must remember I think, however, Senator, that the timeframes that are in the act as presently constituted are extremely short. We only have 90 days to act. So we are in a box ourselves.

There is one thing that we can do on the other end, that I explained to Senator Andrews before you arrived. And that is that the Commission does have some authority to the extent there is some essential service involved, to issue an order that service be continued for a time.

And it's that time that I think is critical in terms of finding some alternate or substitute service. It may not be in a 47-passenger bus. We had some occasions in Nevada where we had to have some service to some rural areas that is now being provided in a van. But at least it's service.

And to people who have no other way to get from point A to point B, whether it's a van or a 47-passenger bus, the important thing is that they are on four wheels and they can move.

So, we will entertain your suggestion without question. I have to point out, however, that the timeframes are short. And that we will have an opportunity to the extent time is needed, and we will be keeping up this close relationship with the State commissions. That is the thing they have impressed on me.

The Illinois Commission, for example, made it very clear at the NARUC Executive Committee meeting the other day, give us enough time and we'll find somebody else to fill in. But we can't do it in the timeframes that are established now.

That is where we will hopefully have to use our authority on the tailend of this thing, too, to find substitute service.

I think those of us who are involved in this legislation really want to see it work. And if everybody doesn't play their role appropriately, it isn't going to work, and you will have turned out to have cast the correct vote on this.

So we are going to try very hard and make it work, even though as you've indicated, you weren't very happy with it when it went through.

Senator Byrd. Well, I appreciate your response to the extent that you would not rule it out, that you would not rule out field hearings.

I again point out that many of our people are just unable to come to Washington. And in a State that has the highest unemployment in the country, 20.4 percent, they certainly don't have the moneys to employ expensive counsel, legal counsel, and thus help the public service commission to fight the battle.

IMPACT ON SMALL COMMUNITIES

Has the Commission done any studies to determine the number of bus routes that have been discontinued, and the number of communities that have been left without any bus service?

Mr. Taylor. I'm glad you asked that question because we have had some suggestions from a number of sources. Trailways for one has asked us to please take a good long look at Greyhound and see if they are abusing their market power.

We've had an indication from the court that we ought to inquire into what Greyhound is doing, and whether or not they have market dominance in various areas, and to the extent they do, are they abusing that power?

We have spent quite a bit of time ourselves trying to determine exactly how we should approach this problem.

I think the following is what we've decided to do, and this is something that I think largely falls within the Chairman's prerogatives, though I have taken the occasion to discuss it with my colleagues. There is a 1978 study done on the entire bus industry; it dealt with such questions as market share and market dominance.

I don't think at that time it dealt extensively with the question of how many discontinuances there have been. And there are those, too, alleging today that Greyhound is even filing applications for new authority that it doesn't presently have, with the idea in mind to perhaps later abandon that authority. All kinds of allegations are being made.

The study that was done in 1978 has not been updated since that time. The study itself suggested subsequent update.

We also will have the responsibility of coming before Congress, Senate and House, in oversight hearings insofar as the Bus Regulatory Reform Act is concerned.

It is our present intention, and I might ask Dr. Southard to elaborate upon it just very briefly, to take that study and update it, particularly as to market power and the possible or potential, perhaps even actual, abuse thereof. And to take into account this matter of discontinuances and then provide it to Congress, almost as a White Paper, in terms of what has gone on and what is going on currently.

Dr. Southard runs our Office of Transportation Analysis. He's a transportation economist. And in terms of how soon we can begin and how long it might take and what specifically it would cover, perhaps you could just say a few words.

STATEMENT OF WILLIAM R. SOUTHARD,

Mr. SOUTHARD. On the study that Chairman Taylor mentioned, I am scheduled to have a detailed study program to the Chairman and the Vice-Chairman early next week. And I am going to propose that we complete it in 6 months.

I am calling this an industry structure study. It is an update and, to some extent, a redirection of the 1978 study. I would be happy to submit a copy of the 1978 study for the record; it's the base.

Senator BYRD. Will that study show the number of bus routes that have been discontinued, and the number of communities that have been left without any bus service?

Mr. SOUTHARD. We will try to develop that, Senator.

I just might add that the Motor Carrier Ratemaking Study Commission has a mandate to look at the small community issue.

And, I frankly don't know how far along they are, but they are approaching it too. But we do intend to try to identify, and we will as best we can, the extent of discontinuance, and where that has occurred.

Senator BYRD. It seems to me that it would just be the natural course of things for the Commission to conduct a study and monitor such on a somewhat continuing basis vis-a-vis those bus routes that have been discontinued, and the number of communities that have been left without bus service.

Do you think that is a reasonable goal?

Mr. SOUTHARD. Let me respond this way, Senator.

We will do our best to formalize our inquiry into that area in the study that I'm hoping and intend to finish 6 months, more or less, down the road.

In the meantime, I have another less formal activity going on, just as we did for the freight hauler deregulation. I have an ongoing informal monitoring program, where I have one of my people in daily contact with folks in the industry and with travel agents.

And we expect to come out with the first of those informal monitoring reports which will deal, again to the extent we can develop information, with discontinuances and, I might add, new services. There has been quite a lot of that, apparently. But this is not as highly structured a program as the more formal activity.

Senator BYRD. I think that you are going to continue to be asked by members of this subcommittee questions about what discontinuances have occurred, and the number of communities that have been left without bus service.

Even though the act does say by way of a requirement that the Federal Government in regulating motor carrier transportation and bus service, "provide and maintain service to small communities and small shippers and intrastate bus service."

We will continue to want to know what is happening. We will also want to know the number of appeals, State by State, that the Interstate Commerce Commission has processed or has pending, to curtail or discontinue bus service.

I assume you will be prepared to answer those questions because they are sure to come. And I would imagine that several of my colleagues who went along glibly with the promises that were made, that this really won't affect your State, this really won't affect the service to your people, are going to be in for a rude awakening when they find that in truth the legislation is going to have a major adverse impact on their State, as it is very likely to have on mine.

Would the Commission furnish this committee with the number of appeals by State; and I'm talking about the number of appeals that are pending, the number that have been processed, to curtail or discontinue bus service?

Mr. TAYLOR. Most certainly, Senator, we will do that.

Senator BYRD. It may be a little early now.

Mr. TAYLOR. We don't even have our first case yet. We haven't even had our first appeal.

Senator BYRD. I would assume that.

Mr. TAYLOR. But that is understandable because the first one could have only come, with 120 days, I think some time very late in February. But we'll be getting some, I'm sure, probably before the end of this month.

And we'll keep a very accurate account of exactly how they are disposed of, and where they came from, and have a record for you. This time next year we should have some very specific information on that.

[The information follows:]

COMMISSION DISPOSITION OF BUS DISCONTINUANCE APPEALS THROUGH SEPTEMBER 30, 1983

	Pending	Decided
California	1	0
Georgia	0	1
Kansas	1	2
Louisiana	1	0
Minnesota	1	0
Nebraska	0	2
Oklahoma	1	2
Oregon	0	1
Pennsylvania	1	0
Tennessee	1	1
Texas	1	0
Washington	1	0
West Virginia	0	2
Total	9	11

Senator BYRD. All right.

Mr. Chairman, let me urge you to think positively in terms of having a field hearing or so in some of the States, certainly in West Virginia, if at all possible.

When we proceed down the road a little further and see what actually happens as a result of the requests that are made and the applications that are made to our public service commission and the outcome on those applications.

Mr. TAYLOR. I'll convey your message to my colleagues, absolutely.

SUBMITTED QUESTIONS

Senator BYRD. Thank you.

Thank you, Mr. Chairman, and your associates. I have some questions and Senator Andrews has some questions which we will submit to you to be answered for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

NEW LEGISLATION

Senator Andrews: What amendments would you recommend for revised regulation of the rail, motor carrier, and bus industries?

Response: As discussed in my testimony, we anticipate broad motor carrier regulatory reform legislation will be proposed by the Administration in the very near future, and we expect to support that legislation.

As a minimum, I recommend the following reforms in the motor carrier area:

- A grant to the Commission of broad exemption authority for motor carriers of freight;
- Establishment of a "fitness only" test for motor carrier licensing; and
- Combining Emergency Temporary and Temporary Authority licensing processes under a single application.

I do not recommend additional changes in the regulation of motor carriers of passengers at this time. In my view, it is necessary to obtain experience under the recently enacted Bus Regulatory Reform Act of 1982 before further changes are made. That legislation has been in effect for only a few months; the first case under the Act's preemption provisions has only recently been filed with the ICC. Accordingly, further legislative changes in bus regulation would appear premature.

With regard to rail regulation, the Staggers Rail Act has generally been working well, and I have so testified at Senate oversight hearings. While fine-tuning or modest clarification might be helpful in some areas, it is probably too soon to reopen the Staggers Act, particularly in view of the fact that some of the key ICC proceedings are still in court.

EFFECTS OF DEREGULATION

Senator Andrews: In your policy and analysis program you state that major emphasis is put on studying and analyzing the effects of deregulation. This was the ICC's major concern in FY 1982 and will continue to be for FY 1983 and FY 1984. What conclusions have your efforts shown so far and how do you intend to use information generated by these studies in the future?

Response: Our conclusions, based on studying and analyzing the effects of deregulation on rail and motor carrier transportation, are similar in that the net effects of deregulation on both transport systems appear to have been favorable. Achievement of the intended objectives of increased carrier competition, pricing flexibility, and variety of price-service options available to shippers is evident. In the case of the railroads, financial health has also improved, although 1982 performance reflects a decline from 1981, as a result of the continuing recession.

Knowledge gained from studies and analyses has made it possible for the Commission to compare actual performance of rail and motor carrier transportation with the objectives of the deregulatory legislation; to evaluate the merits of further regulatory modifications or elimination of regulations that may no longer be justified; to report to Congress on the impacts of deregulation through mandated reports and by testimony at oversight hearings; and to plan and adjust programs and allocate resources in accordance with current findings and identified priorities. Study conclusions, when utilized in conjunction with legislative mandates and Congressional guidance, have acted and will continue to act as a compass to direct Commission policy.

The Staggers Rail Act of 1980 has provided regulatory flexibility that, along with a high volume of coal traffic, has helped railroads to improve financial performance. The Act has helped the railroads eliminate regulatory lag in adjusting rates to inflation and has facilitated growth in the number of mutually beneficial contracts with shippers. The Commission's decision to exempt from regulation certain kinds of rail traffic has resulted in some recapturing of traffic by the railroads. For example, railroads have taken initiatives to increase their share of the exempted fruit and vegetable traffic. Also the exemption of TOFC/COFC stimulated a 3 percent growth in rail piggyback traffic during 1981. This growth has continued in 1982 and 1983. During previous recessions, piggyback traffic declined earlier and more sharply than other rail traffic. This growth in intermodal transportation reflects increasing utilization of the inherent advantages of both modes. Remaining to be seen are the impacts on railroads of newly legislated truck taxes, fuel costs, size and weight regulations, and the recent Commission decision which makes it possible for railroads to buy trucking companies or expand existing operations.

The Motor Carrier Act of 1980 included provisions assisting owner-operators, authorizing intercorporate hauling, and relaxing entry in order to increase competition and maintain or improve service to small communities. Our studies and analyses indicate that these objectives have been achieved.

Growth in competition is reflected by a dramatic increase in the number of new operating certificates, innovative rates, and independent rate actions since the Act. New carrier applications for all types of authority rose from 11 percent of all applications in the first year the Act was in effect to 40 percent of all applications from July 1981 to November 15, 1982.

Numerous carriers have filed tariffs offering discount rates, some including guaranteed service. A late delivery can result in a discount of as much as 40 percent below regular rates. A variety of price-service options also are reflected in the tariffs. The number of independent rate actions taken by ten major rate bureaus rose to 180,829 in FY 1982, up from 27,141 during calendar year 1979 and 60,600 during calendar year 1980.

There is no evidence that overall service levels are declining or that individual shippers cannot obtain the service desired. One indication of shipper satisfaction is the decrease in the number of complaints. Since implementation of the Motor Carrier Act of 1980, the number of complaints filed dropped to an average of 1,105 per month through September 1982, down from 1,745 per month for the thirteen months prior to the Act.

On September 1, 1982, the Commission submitted a report to the President and to Congress on its investigation and study of motor carrier service to small communities, as required by Section 28 of the Motor Carrier Act. All aspects of service quality and rates to and from small communities were measured. This included indirect measures, such as shipper complaints relating to motor carrier service. Results were highly consistent, showing that regulatory reform caused no dramatic changes affecting small communities. Changes that did occur were generally favorable.

Similarly, research indicates that objectives of the Household Goods Transportation Act of 1980 are being met. This is evidenced by new carriers entering the market, an increase during 1982 of applications for authority to transport household goods as contract carriers to named shippers, a wide variety of price-service options, and a 44 percent reduction in the number of complaints received during FY 1982 as compared to FY 1981.

The effects of the Motor Carrier Act on the financial performance of the motor carrier industry are difficult to assess in view of the economic recession of recent years. It appears that financial problems of motor carriers are primarily the result of the recession rather than regulatory reform. This conclusion is supported by a General Accounting Office report, Effects of Regulatory Reform on Unemployment in the Trucking Industry, dated June 11, 1982. The report concludes that "poor economic conditions, not regulatory reform, have been the likely cause of high unemployment in the trucking industry." Once overall economic conditions are again favorable, a more accurate portrayal of the effects of deregulation can be derived through further analysis.

The Bus Regulatory Reform Act of 1982, effective November 19, 1982, is expected to have significant impacts on entry, exit, pricing, price-service options, competitive strategies, and industry financial health. Three major efforts are underway to identify and evaluate bus industry performance and impacts of the Act. First, a series of monitoring reports will identify important activities within and related to the intercity bus industry. These will reflect ICC records; media reports; industry, government, academic, and consumer group publications; and direct contact with persons involved or concerned with intercity bus transportation. Quantitative data will be integrated into the reports, to the extent available and useful to the monitoring effort. The monitoring will seek to identify trends and changes in industry practices at interstate and intrastate levels for each type of service, i.e. regular route, charter and special, commuter, and package express. Content of the reports will vary from one to the next, as necessary, to reflect changes in industry performance, availability of information and data, and priority of issues. The initial report will be completed by June 30, 1983, with subsequent reports to be issed at three- or four-month intervals.

A Bus Terminal Study required by the Act is being conducted jointly by the Commission and the Department of Transportation. This study will evaluate the ownership, location, and adequacy of terminals relative to national transportation policy; the need for intermodal terminals relative to urban development; and the need for financial assistance for non-urban terminals. The report is due to Congress by December 31, 1983.

Finally, Commission staff have been directed to begin an in-depth study and analysis of the structure, conduct, and performance of the intercity bus industry. This study will be similar to special studies performed in monitoring the effects of the Motor Carrier Act of 1980. These studies were done in conjunction with preparations for Congressional oversight hearings in 1981 and 1982. The bus study will build upon foundations which include a Commission staff report issued in May 1978 on the bus industry. A final report is scheduled for completion by September 1983.

IMPACTS OF MERGERS

Senator Andrews: Now that several of the large railroad mergers such as Norfolk-Southern, Chessie/Family lines have had some time to settle out, what is your determination of the mergers' effects on small communities and shippers? Are they still being served?

Response: There have been four large railroad consolidations since the fall of 1980. Control of the Chessie System, Inc., and Seaboard Coast Line Industries, Inc., by CSX Corporation was consummated on November 1, 1980, while the merger of Burlington Northern, Inc., and St. Louis-San Francisco Railway Company became effective November 21, 1980. In addition, Norfolk Southern Corporation gained control of the Norfolk and Western Railway Company and Southern Railway Company on June 1, 1982. Finally, control of the Missouri Pacific Corporation and the Western Pacific Railroad Company by Union Pacific Corporation became effective on December 22, 1982.

These four rail consolidations were basically end-to-end mergers providing single-system service. This type of rail consolidation provides several benefits to small, as well as large, shippers: (a) lower rates due to increased efficiency and cost reductions; (b) expansion of single-system service; (c) faster and more reliable service; (d) simplification of car tracing and billing; (e) improved car utilization; and (f) minimization of loss and damage.

Trailer-on-flatcar (TOFC) service assists off-line small shippers in moving their products to several different markets. CSX and Norfork Southern have improved their TOFC service since consolidating and are able to handle more traffic. This traffic has increased over the past several months.

We have received no complaints from small communities or shippers that were related to these rail consolidations. There have been no mass abandonments related to these mergers. The few abandonments that have occurred were where two merging railroads served the same point and one carrier's line was abandoned leaving the other carrier to continue serving that point. As far as we can determine, no small community or shipper has lost essential service due to these rail consolidations.

IMPACTS OF MOTOR CARRIER ACT (MCA) OF 1980

Senator Andrews: Please explain what the apparent impacts of the Motor Carrier Act of 1980 have been on the different groups within the trucking industry.

Response: Apparent impacts include changes in industry structure, pricing and quality-of-service policies, and overall marketing strategies. These have affected common, contract, and private carriers, and owner-operators.

One of the most significant changes is the number of grants of permanent operating authority. The first year following implementation of the Act was characterized by an initial surge by existing carriers to expand authority under new, more liberal entry standards. The second year was marked by a sharp increase in the percent of applications filed by first-time applicants and in the number of applications for contract carrier authority as a percent of all applications. Second-year grants of contract carrier authority represented approximately one-quarter of all applications, as compared to about one-sixth during the first year. More shippers have turned to contract carriage, as rates and services have become more competitive.

The trend of general commodity common carriers initiating special commodity operations has continued. Services range from truckload refrigeration and containerization to truckload flatbed operations. These operations typically utilize owner-operators, since doing so minimizes risks and costs.

Notifications by shippers of intent to engage in private carrier, compensated intercorporate hauling have continued. Notifications as of June 2, 1981, totaled 648 corporations, involving 6,755 shipper subsidiaries. Total notifications increased as of April 25, 1982, to 772 corporations with approximately 8,000 shipper subsidiaries. As of November 29, 1982, there had been 876 notifications. Many of these corporations have notified the Commission of intent to engage in this type of hauling to achieve a state of readiness, when and if they choose to implement such activity. Private carriers have mixed incentives. During recession periods, some shippers divert declining traffic volume from common to private carriage in order to utilize their own equipment and personnel. On the other hand, the proliferation of more competitive and favorable rates and services by common and contract carriers has resulted in decisions by several shippers to shift traffic from private to regulated carriage. Some shippers have reportedly discontinued private carrier operations entirely and diverted traffic to common or contract carriers. These varying actions highlight the increase in shipper management flexibility and choices, which the Act has made possible or practical.

Many carriers have requested and obtained expanded operating authority which greatly increases the geographical and commodity scope of their service. This has resulted in the establishment of much broader terminal networks, particularly for some larger carriers. This makes possible the offering of more services to individual shippers which, along with variations among price-service options offered by different carriers, appears to be causing a trend for shippers to reduce the number of carriers they engage for service. The American Trucking Associations (ATA) has noted a trend from large shippers to gravitate toward large carriers and suggests that smaller carriers may want to aim toward a market of smaller shippers.

Another trend is for freight forwarders to acquire nationwide authority. Many freight forwarders are both surface and air freight forwarders. The nationwide surface forwarding authority significantly enhances the breadth of their service and competition.

During FY 1982, the Commission approved two merger applications which were significant relative to the transcontinental general commodities market. The scope and variety of carrier authority is also facilitated by the Commission's removal of the restriction preventing motor carriers of property from holding duplicate operating rights under common control. This action has contributed significantly to the previously referenced growth in the number of contract carrier authorities.

In addition, the Bus Regulatory Reform Act authorized the Commission to exempt motor carriers of property from certain merger, consolidation, and control provisions. The Commission may exempt transactions if it determines that application of the statutory provisions is not necessary to carry out national transportation policy and either the transaction is of limited scope or Commission examination is not needed to protect shippers from abuse of market power.

Regarding owner-operators, the Act held out the prospect of assistance by easing entry and providing an option to convert to carrier status. Our assessment is that, to date, the specific provisions in the Act designed to directly assist owner-operators have had minimal effect on the vast majority of them. In the future, however, the more competitive environment created by the Act, the ease of operating in the exempt market, and an improved economic environment may lead to greater owner-operator interest and participation in movements of these commodities.

A Commission staff survey indicates that owner-operators have elected the option to convert to carrier status on a very limited basis. Those in the survey sample who have converted had multiple vehicle fleets and significant experience as owner-operators. They are not representative of the "typical" owner-operator who still perceives significant hurdles in obtaining operating certificates, despite reforms which have facilitated the application process.

There has been an acceleration of filings by owner-operators for authority under the section 5 "fitness only" provision of the Act to haul certain previously regulated food or edible products and agricultural commodities, in order to obtain more backhaul traffic and to increase revenues. As of September 30, 1982, 272 operating certificates had been granted under the provision.

The Commission has also attempted to assist owner-operators by easing rules that restrict leasing vehicles and drivers to regulated and private carriers and by discouraging lumping practices, in accordance with provisions of the Act dealing with loading and unloading practices.

During FY 1982, the Commission received thousands of requests from owner-operators, ranging from requests for information on how to file for operating authority to information on State regulations. The Commission has made extensive use of conferences, publications, and written and oral communications to inform owner-operators of new regulations, opportunities, and processes.

Labor is an important factor affecting carrier efficiency and financial performance. Carriers that have contracts with the Teamsters have been successful in obtaining significant wage and benefit concessions designed to make the firms more competitive and to assist achievement of maximum financial performance and continued solvency during the recession.

Financial performance of the motor carrier industry has been significantly affected by the recession. During fiscal year 1982, the industry experienced a significant drop in tonnage and income levels. The slowdown in business activity outweighed the benefits to the carriers of having far greater ability to respond to changes in the economy. Several large carriers and numerous small, financially marginal carriers have discontinued operations. Motor carriers are not required to formally notify the Commission when filing for bankruptcy or ceasing operations. Therefore, the Commission does not have a definitive or comprehensive list of such bankruptcies. It is not surprising that a large number have ceased to operate during a period when the general level of business bankruptcies has risen substantially. Motor carrier volume has traditionally fluctuated in response to economic conditions more widely than industrial production. Common carriers of general commodities and contract and specialized carriers with activities most closely related to transportation of commodities sustaining large reductions in production and/or inventories, such as steel, have been hardest hit by the recession. Independent owner-operators have, of course, suffered, as trucking tonnage and revenues declined, although the independent operators have considerable flexibility to shift their services among their carriers.

The financial impact of the Motor Carrier Act of 1980 can best be evaluated following economic recovery.

Senator Andrews: What is your estimate of the existing capacity in the motor carrier industry? Has this capacity increased since enactment of the Motor Carrier Act of 1980? How many communities have lost service since passage of the Motor Carrier Act?

Response: In 1981, there were 1.24 million truck tractors and 3 million trailers and semi-trailers registered in the United States. This compares with 1.37 million tractors in 1979 and 1.4 million in 1980; and 3.33 million trailers in 1979 and 3.31 trailers in 1980. Registration data for 1982 are not yet available, but, based on other available data, we estimate that registration declined to somewhat fewer than 1.2 million tractors and 3.0 million trailers in 1982.

According to TRINC Transportation Consultant's data (the latest available), the number of tractors and trailers owned and leased by Class I and Class II regulated for-hire carriers and by carriers of general freight have also declined, as shown in the following tables.

Equipment and Mileage of
Class I and II For-Hire Motor Carriers
1979-1982*

	1979	1980	1981	1982
Tractors Owned (000)	203.5	206.8	195.7	177.0
Trailers Owned (000)	489.9	499.6	486.5	449.9
Trailers Leased (000)	115.3	114.6	111.1	103.8
Total Miles Operated (billion)	19.8	18.8	17.5	16.6
By Owned Equipment	11.5	10.5	9.4	8.8
By Leased Equipment	8.2	8.2	8.0	7.8

Equipment and Mileage of
Class I and II General Freight Carriers
1979-1982*

	1979	1980	1981	1982
Tractors Owned (000)	134	136	128	116
Trailers Owned (000)	306	314	300	279
Trailers Leased (000)	38	36	35	33
Total Miles Operated (billion)	9.7	8.8	7.8	7.5
By Owned Equipment	7.2	6.2	5.3	5.0
By Leased Equipment	2.4	2.6	2.5	2.5

*TRINC Transportation Consultants

Contrary to this trend, there has been an increase in the number of Class III (annual gross revenues below $1 million) regulated for-hire carriers; from 13,337 in 1979 to 14,610 in 1980, 18,562 in 1981, and 22,059 in 1982. However, these are small carriers with an average of 5 or fewer trucks.

As indicated by the decline in mileage operated, the decline in motor carrier industry capacity is more likely a result of the economic recession than it is the impact of relaxed regulation.

In its recent study of motor carrier service to small rural communities, the Commission staff sent initial and follow-up questionnaires to two groups of over 1,200 randomly selected firms and received initial replies from 872 firms and follow-up replies from 623 firms. Of these, only two firms in the first group indicated that they had lost for-hire service since the Act; one regained service within the year, and the other did not respond to the second inquiry. Only 3 firms in the second group indicated that for-hire service was never available when needed in the first phase (and only one indicated that this was a change from the past situation), and no firms indicated that they were without service six months later. On the other hand, 80 percent to 90 percent of the firms indicated no change in service availability, and three to eight times as many of the remaining firms indicated an improvement as indicated a decline in service availability.

PRICE DISCRIMINATION UNDER RAIL CONTRACTS

Senator Andrews: Since the Staggers Act, railroads and shippers have been entering into large numbers of contracts for a variety of commodities. As I understand it, Section 208 of the Staggers Act sets up the rules for these contracts and allows shippers of agricultural products to file complaints with the ICC if they feel the railroads are engaging in price discrimination. Have many shippers filed this type of complaint?

Response: There have been no complaints filed against contracts for agricultural products. The specific reasons for this are not entirely clear; however, several factors may contribute to this situation.

First, potential complainants may be negotiating with the railroad. We note in this regard that, to bring a complaint under the statute, a shipper must be similarly situated and must be ready, willing and able to enter into a similar type of contract. We think that these potential complainants are entering into their own contracts without intervention by the Commission.

Second, smaller shippers probably cannot meet the volume or other special requirements and thus would not be in a position to enter into a similar contract. As a result, they would not be able to prove discrimination under the statute.

Third, while agricultural shippers may file complaints against a contract because it would impair a railroad's common carrier obligation, such complaints would probably not be filed at this time in view of the current large surplus of rail cars.

Finally, contracts may and often do entail services other than the line-haul rates. Such agreements provide services tailored to an individual shipper's needs. Because other shippers may not be similarly situated, the services would be inappropriate. In these circumstances, competitors would not be in a position to show that they were ready, willing and able to enter into a similar arrangement.

Senator Andrews: On December 8, 1982, you published Ex Parte No. 387 which establishes procedures for filing rail contract rates as well as procedures for adjudication of these rates. The ruling defines information that must be included in the contract-summary that becomes a publicly available document. These summaries are the only information a shipper can get to make a case for discrimination unless he goes through an expensive legal process under the Freedom of Information Act. The information doesn't disclose exact rates or charges. How can the shipper file a discrimination charge if this is the only information available?

Response: This issue was addressed in Ex Parte 387. The Commission decided only essential contract terms should be released in order to protect the confidentiality of contract provisions. Essential contract terms were defined as those which are necessary in order to file a complaint under section 10713(d), to develop car data for application under section 10713(d), (f), and (k), and for data to be used by the Commission's Contract Advisory Service.

The Commission provided protection for complainants by clarifying the complaint rules and revising the "nonconfidential, essential terms" of the contract contained in the Content of Contract Summary. In addition, criteria for the release of additional information were developed. Originally, the policy enunciated in Ex Parte 387 (Sub-No. 6), Petition Requesting Inspection of Rail Contracts, 364 ICC 669 (1981), applied only to contract disclosures for shippers of agricultural commodities, forest products and paper. The decision in Ex Parte 387 modified the policy and extended it to shippers of other commodities, as well as ports. The Commission indicated that the extent of additional information to be disclosed would be decided on a case-by-case basis. This gives the Commission greater latitude in granting relief to shippers who petition for additional disclosure under the regulations. The criteria for weighing these petitions was also modified so that a petitioner does not have to sustain the burden of proving a need for access to the "complete contract," but only "additional contract information."

I agreed generally with the regulations adopted in this proceeding but departed from the majority on the question of disclosure of full, rather than base, rates and charges in the contract summary. The additional rate information was necessary, in my view, to enable shippers to determine whether there are grounds for challenging a contract as unreasonably discriminatory or as constituting a destructive competitive practice.

Senator Andrews: Could more information regarding specific contracts be provided in the summaries?

Response: The Staggers Act requires that the essential terms of the contract be made available to the general public. In addition, the statute provides for the filing of the contract with the Commission, together with a summary of the contract "containing such nonconfidential information as the Commission prescribes."

In Ex Parte 387, with regard to disclosure, the Commission discussed the necessity for a balancing of competing interests—a recognition of the private nature of contractual agreements, on the one hand, and, on the other, release of adequate information so that possible complaints may be filed. Based on the balancing of these interests, the Commission developed its rules regarding the content of contract summaries.

While I agreed generally with the regulations adopted in that proceeding, I disagreed with the majority on the question of disclosure of rates. In my view, the exact rates and charges (including rates and charges for special features) are essential contract terms which should be disclosed in the summaries. Knowledge of the base rates and charges alone will not provide the shipper with the necessary information to determine whether rate disparities exist or whether the contract constitutes a destructive competitive practice. Accordingly, I favor disclosure of the rates and charges involved.

RAIL CONTRACT RATES

Senator Andrews: It has been reported that over 5,500 contract agreements are on file at the ICC. Although this is generally thought to be a good thing, some have expressed fears that railroads may find the contract process to be a mixed blessing if they've locked-up business at depressed rate levels. What are your views on whether or not contracts will be a good thing or a mixed blessing?

Response: It is my view that the contract provisions of the Staggers Rail Act have been sucessful. The exact number of contracts filed with the Commission since the effective date of the Staggers Act through March 8, 1983, is 5,630. In the last four months alone, some 2,880 contracts have been received. Contracts have been filed by all Class I railroads and by a large number of short-lines. They cover virtually all commodities and incorporate a variety of innovative provisions such as rail-line rehabilitation, stable long-term rates, guaranteed car and service provisions, loading and storage of surplus cars, and priority port berthing.

While it is true that shippers with transportation alternatives have benefited from allowance-type contracts because of current economic conditions and excess capacity and equipment in the railroad industry, there have also been substantial benefits for the railroads. Our Contract Advisory Service reports a continuing high degree of interest in all aspects of contract ratemaking from both shippers and carriers. Any fear that railroads may find themselves "locked-up" at "depressed rate levels" would appear to overlook the fact that the carriers are in a bargaining position to negotiate the terms of the contract, including its duration.

Senator Andrews: Is it possible to identify just what contract ratemaking means to the railroads in terms of increased or guaranteed revenues and operating efficiencies?

Response: This particular aspect of contract ratemaking has not yet been studied but it appears that guaranteed revenues and operating efficiency are a prime factor in many railroad contracts. We believe that almost all of the long-term contracts are designed primarily to guarantee revenue. Also, according to the Norfolk Southern, more than 60 percent of their export coal traffic is moving under contracts designed to improve operating efficiency at the Norfolk export coal facilities. However, until a comprehensive study is made, we cannot measure specific benefits of contract ratemaking to the carriers. Such a study is now in the planning stages.

Senator Andrews: Have small shippers benefited from contract ratemaking or have the benefits accrued primarily to the larger shippers?

Response: The greatest benefits from contracts have been realized by larger shippers because of their volume and negotiating leverage. Although we have not made any analysis, it appears that small shippers with alternative rail routing or truck competition have also benefited but not to the same degree as large shippers. Through our in-depth study, we should be able to identify and measure the benefits of contract ratemaking for large and small shippers.

Senator Andrews: How many of these contracts are with small shippers as opposed to large shippers?

Response: The contract summaries filed by the carriers and available to the public do not disclose the identity of the contracting shippers. In order to distinguish the degree of contracting with large and small shippers, we will first have to develop a definition of large and small shippers and then review the individual confidential contracts on file. This will be done in the course of our study.

Senator Andrews: What kinds of commodities are involved in most of these contracts?

Response: Our preliminary analysis shows that contracts cover almost all commodities and service arrangements. A review of approximately 4,400 contracts filed during the period from October 1980 through December 1982 discloses the following commodity breakdown:

Commodity Group	Contracts	Percent
Grain/Grain Products	537	12.2
Coal	192	4.4
Forest Products, Lumber, Paper	859	19.5
Autos, Parts, Agricultural Implements	154	3.5
Iron, Steel, Metal, Scrap	452	10.3
Foodstuffs	655	14.9
Chemicals and Minerals	803	18.3
All Others	744	16.9
Totals	4,396	100.0

REPORT ON RAIL CONTRACTS

Senator Andrews: The Staggers Act required the Commission to submit a report to Congress within 90 days on the impact of contracts on competition. That report was timely submitted but was obviously somewhat premature. Now that the contract provisions have been in effect for over two years, and given the substantial activity in this area, would it be possible to undertake a comprehensive analysis of contract rates with respect to the benefits to both railroads and shippers, various innovative terms, problem areas and a determination of prime beneficiaries? Perhaps you could put together a report over the next six months to help us figure out what has occurred since railroads have begun contracting.

Response: We have not undertaken any studies of contract ratemaking since our preliminary report to Congress on December 30, 1980, when only a few contracts had been filed. We certainly agree that, given the great amount of activity in this area, a comprehensive analysis of rail contract rates is both necessary and appropriate. Our Office of Transportation Analysis has been directed to undertake a study specifically addressing the issues you have outlined. We believe that the study will produce a comprehensive analysis of the specific benefits of contract ratemaking to both carriers and shippers, as well as a thorough overview of the impact of contract ratemaking. We are planning to complete this study by the end of this fiscal year.

CANADIAN RELATIONS

Senator Andrews: In your recent speech to the Canadian Institute of Traffic and Transportation, you proposed a conference be held in the summer to discuss transportation-related regulatory matters. The conference would be held between U.S. officials and their Canadian counterparts. What was the response to this proposal? Do you envision such a conference occurring each year? And, if so, what are your plans for using ICC resources to set up and plan these conferences?

Response: As a step toward facilitating improved communications, I proposed in a recent speech to the Canadian Institute of Traffic and Transportation the convening of a summer conference between U.S. officials and their Canadian counterparts to discuss transportation-related regulatory matters. The response to this proposal has been very favorable.

If the first conference is productive, as I believe it will be, others could be held annually with the host sites alternating between our two countries. While no decision has been made as to whether such conferences should be held annually, I believe meetings at least once a year would prove beneficial. I do not propose to use ICC resources for these conferences, except in a minimal manner, such as making a conference room available for the meeting should that prove convenient for the participants.

RAIL COAL RATES

Senator Andrews: Your proposed guidelines for maximum coal rates include four upward constraints: "stand alone" costs, certain management factors, annual phase-in of 15 percent above inflation, and revenue adequacy. Unless a shipper can show that the rate has met these constraints, a 15 percent annual increase on top of inflation is presumed reasonable. In theory all of these constraints make some sense. However, in practice all of them depend on measuring various costs and values that are not precise or very quantifiable. How will a shipper be able to prove, therefore, that the constraints have been met? On the reverse, how can a carrier prove the constraints have not been met?

Response: Shippers can challenge the presumptive reasonableness of rate increases within the 15-percent zone by providing relevant data on one of the other three factors as described below.

Stand-Alone Costs - Ex Parte 347 (Sub-No. 1), Coal Rate Guidelines, Nationwide, describes the proposed methodology for establishing stand-alone costs. Generally, the procedure requires that cost evidence on the existing plant be initially provided. It then establishes a sequence for estimating the stand-alone cost for the captive shipper(s) at optimal plant capacity. This procedure establishes an audit trail which can be verified by Commission staff. The carrier could reply to the shippers' calculations and rebut those which it considered inaccurate. The Commission's role is to weigh all cost evidence presented and render its judgment on the proper levels of stand-alone costs.

Management Factors - Shippers would be permitted to challenge rate increases on the grounds that the increases are occasioned by inefficient management and/or pricing practices. The shippers would be required to identify the practices or rates which they believed to be inefficient and provide some evidence or basis for their allegation. For example, if the shippers alleged that rates for certain competitive commodities were too low, they might introduce revenue-variable cost ratios from sample movements (taken from the one-percent waybill sample). If the evidence provided supports the allegation, the shipper could seek discovery to obtain more detailed information from the carrier. The carrier would be required to remedy the inefficiency or provide information on why the shipper's allegation was incorrect. The Commission would then weigh the evidence and render its decision.

Revenue Adequacy - Using annual or quarterly reported information on earnings, as well as data on specific rate increases on captive traffic, the shippers would have to demonstrate that earnings resulted in a return on investment equal to or greater than the railroads' cost of capital, as prescribed in Ex Parte 393, Standards for Railroad Revenue Adequacy, 364 ICC 803 (1981). The carriers would have the opportunity to rebut the shippers' data and present their own. Alternatively, they could present pertinent information on why their earnings should be permitted to exceed the revenue adequacy standard. The Commission's role would be to evaluate the evidence and render judgment on the reasonableness of the rate.

The 15-Percent Phase-In - Rate increases exceeding 15 percent would not be presumed to be reasonable. The burden of defending such an increase would lie with the proponent. The proponent would have to demonstrate that bankruptcy was imminent or that it was unable to meet its maturing obligation.

Senator Andrews: The results of these guidelines will be constantly increasing rail rates. How will your proposed guidelines impact smaller shippers? What are the likely ramifications for rates on other commodities, especially grain?

Response: Large and small shippers will most likely be equally impacted by the guidelines, as a result of considerations taken into account in the Long-Cannon amendments to the Staggers Act. There is even a good possibility that small shippers may actually fare better than large shippers under the proposal.

The production and transportation of coal is what is known as a joint product. That is, the coal mines and railroads must both participate if coal is to be mined, moved to market, and sold. If the railroad prices its shipper out of the market, both partners of the joint venture lose. Since small shippers have higher costs and are more sensitive to changes in economic conditions, carriers might find it beneficial to protect their small shippers from large rate increases. Much of this protection may come from contracts between the carrier and small shippers.

No decision has yet been made on whether the proposed Ex Parte 347 (Sub-No. 1) guidelines would be expanded to other commodities, such as grain.

Grain, which has historically been highly dependent on rail, has become a highly competitive commodity. Trucks (particularly unregulated carriers) and barges have effectively challenged the railroads for this traffic. In addition, there has been significant intramodal competition for grain. Consequently, there are fewer disputes over maximum rates for grain. Finally, it is noteworthy, too, that there is a growing trend toward contracting for grain transportation. Grain and grain products now account for over 12 percent of contracts filed with the Commission.

Senator Andrews: Increases of 15 percent will certainly affect consumers once shippers pass these costs on. What analyses have you done to determine effects on consumer prices and what do your analyses show?

Response: Supporting the Ex Parte 347 (Sub-No. 1) proposed maximum rate guidelines for coal, the Commission simultaneously issued a notice for an Environmental Impact Statement (EIS). Among the issues which will be addressed by the EIS is the impact of the proposed guidelines on consumer prices.

BOXCAR AND COAL FOR EXPORT

Senator Andrews: The ICC recently deregulated boxcar traffic and coal for export. Conrail argued in favor of the ICC rulings. Many other groups have expressed the fear that these recent ICC moves may end up being too damaging to shippers and a return to regulation would be required. Besides the financial benefit, which for boxcar traffic is expected to be $100 million per year for Conrail and $300 million per year for the industry, explain the effects of these rulings on equipment utilization.

Response: With respect to the boxcar traffic exemption, improved equipment utilization was a prime reason for Conrail's proposal. The changes being adopted in car hire and car service rules are intended to reduce empty mileage that, under the current system, has built up during periods of surplus capacity. During surplus periods, when the earning power of freight cars from revenue loading declines, railroads have had an incentive to load their own cars off line and return foreign equipment empty in order to collect car hire during the entire time the car is off line, whether stationary or moving empty or loaded. Such practices should cease with the changes adopted with boxcar traffic exemption, since car hire would stop accruing once the car sent off line by the car owner has no further use on a foreign line. Further, in the past, car owners (in particular short-lines) have bought cars, even when not justified by loadings, in order to exploit the car hire earning capacity during periods of surplus. This increase in the car fleet in the face of stagnant or even declining loading has wrought havoc with car utilization; it, too, should be alleviated by the measures adopted.

We expect another source of reduced empty mileage to come from the greater involvement these changes are apt to engender in the owner directing empty car movements on foreign lines. These movements are apt to be more efficient than the current pattern of continual return to owners.

A third source of improved boxcar utilization would be increased use of demand sensitive rates—seasonal, peak, and backhaul—which would tend to level imbalances in traffic flows over time and between locations.

Much of the financial benefit to Conrail from boxcar traffic deregulation would come from savings in car hire (now running $100 million) by reclaiming inactive time and from collection of empty mileage charges. In addition, Conrail has clearly sought the exemption to have a freer hand in extricating itself from unprofitable joint rate arrangements. At present the surcharge provisions limit relief essentially to 100 percent of variable cost and impose a large paperwork burden. Joint rate cancellations have been liberalized, but the exemption could further facilitate them. But neither of these sources of financial benefits are expandable to the industry as a whole. There, we would expect the primary financial benefits to come from overall reduction of empty mileage and of car requirements and from quicker responsiveness of rates to change in demand conditions.

As for export coal, the primary impetus appears to have been financial benefits stemming from greater upward price flexibility. The National Economic Research Associates (NERA), in a supplemental statement on behalf of the Coal Exporters Association, estimated that the rail industry would reap a net revenue increase of $137.5 million to $325 million per year between 1983 and 1990 from export coal exemption, depending on a variety of assumptions. These figures might be questioned, inasmuch as the Commission's maximum rate policy during the period covered may permit much of the upward rate flexibility that NERA ascribes to the exemption. Although equipment utilization improvement does not appear to have been a primary goal of the exemption, we expect that, with a greater capability to use demand sensitive rates, the industry may be able to use pricing to influence the flow of export traffic so as to limit congestion at ports and thereby improve equipment turnaround. Moreover, to the extent the exemption encourages long-term contracts, it may reduce volatility in export coal movements, thereby also improving equipment utilization.

As I indicated at the hearing, the export coal and rail boxcar decisions were decided on 3-2 votes; I dissented in each instance since the record did not support a grant of the proposed exemption.

COAL SLURRY

Senator Andrews: Now that the Commission has set very favorable maximum guidelines for coal rates and has deregulated export coal rates, wouldn't the existence of coal slurry pipelines provide needed competition to tame the monopolistic activities of the railroads?

Response: Congress, in enacting the Staggers Rail Act, made the finding that, today, most transportation is competitive. Where there is an absence of effective competition, the Commission retains jurisdiction to insure that rail rates are reasonable.

There is a difference of opinion as to whether coal slurry pipelines would provide "needed competition." Proponents of pending coal slurry legislation contend that development of slurry pipelines will provide such competition. On the other hand, the railroads and other opponents of the legislation argue that slurry pipelines will skim away the most profitable traffic, leaving railroads with a shrinking traffic base and a worsening financial position.

No Federal statutes or regulations prevent the construction of coal slurry pipelines. Rather, the issue is whether to grant the Federal power of eminent domain in order to promote the development of coal slurry pipelines. The Commission has not taken a position on the eminent domain issue on the ground that this is a policy question which Congress should decide. Personally, as I stated at the House hearing last year, I favor coal slurry legislation.

ICC SUNSET

Senator Andrews: Certain groups have stated that major deregulation, such as export coal and boxcars, would need to occur before a sunset of the ICC. Now that those issues have been addressed, what are your views regarding sunset?

Response: At last year's hearing, I stated that ICC sunset would be possible, but that it is difficult to pick a precise date, since it is important to review what has happened under prior legislation as we move forward. Under the circumstances, I indicated that a 5-to-10-year timeframe would be reasonable.

Whether sunset should occur within a particular timeframe also depends on the type of substantive legislation enacted. At this time, I am not aware of any proposals to eliminate rail regulation. Until there are additional legislative changes in the rail area, sunset would not appear practical.

The ICC actions you mention, relating to a 3-2 vote by the Commission to exempt from regulation rail boxcar traffic and movements of coal destined for export, are not, in my view, determinative of the sunset issue. Under 49 U.S.C. Section 10505, those exemptions can be revoked. In addition, the Commission's actions are being challenged in court. As pointed out in my response to other questions, the Commission continues to regulate rates where there is an absence of effective competition, and it retains jurisdiction in a number of other areas with regard to such matters as railroad consolidations and mergers. Thus, sunset of the agency does not appear warranted until its functions are eliminated or transferred to another entity.

Senator Andrews: How do these major deregulation actions impact your staffing requirements in this fiscal year, as well as for FY 1984?

Response: The Commission's decisions in Ex Parte 346, Sub-Nos. 7 and 8, Rail Exemption - Export Coal and Exemption from Regulation - Boxcar Traffic, are currently being challenged in court. As a result, it would be premature to analyze the impacts of these major deregulatory decisions on our staffing levels either in this fiscal year or in the future. However, I think it is fair to say that it is likely that such major decisions will have some impact on the Commission's future workload and staffing needs. The impacts of these two particular decisions and any others that may be served will be taken into account in the FY 1985 budget process, which will begin shortly. This will include consideration of the impacts on workload, priorities and staffing requirements for FY 1984.

Senator Andrews: Will staff reductions in themselves lead you to further deregulation?

Reponse: If by further deregulation you mean less of a presence in the surface transportation industry and less resources with which to assist shippers and consumers by monitoring the industry and enforcing the laws, the answer is yes. Since our field staff, which is primarily responsible for our consumer assistance, compliance and enforcement activities, comprises the largest single organizational unit in the Commission, it follows that a sizable staff reduction would have a major impact on them. So, in a sense, further staff reductions could force deregulation without legislation by denying adequate resources to do the job. In other words, to the extent the Commission is not given adequate staff to perform its statutory functions, further deregulation can occur without legislative change. If the reductions are sizable, the Commission could be forced to find ways to cope which might well lead to policy decisions and actions that otherwise would not have been adopted.

Senator Andrews: What have you heard regarding the Administration's proposals leading to sunset?

Response: We expect the Administration to submit broad deregulatory proposals in the near future. As far as I know, a final decision has not yet been made with regard to the details of the reform initiatives to be included in the legislation. However, it is generally anticipated that the Administration proposal will include sunset of most, if not all, facets of regulation of motor carriers of property. I do not believe, however, that sunset of the ICC is contemplated.

MOTOR CARRIER SAFETY

Senator Andrews: Please describe how the Commission's and the Department of Transportation's responsibilities divide regarding truck safety? How do you and DOT get unsafe truck drivers off the road? Can your staff levels adequately address enforcement efforts?

Response: The Interstate Commerce Commission does not have jurisdiction over truck safety. The Department of

Transportation's Bureau of Motor Carrier Safety (BMCS) has that responsibility. We do, however, administer the licensing provisions of the Interstate Commerce Act, and safety is a primary consideration in the decisionmaking process regarding applications for emergency temporary authority, temporary authority and permanent authority.

The Commission and DOT cooperate and coordinate closely with respect to safety matters. The cooperation and coordination is founded in a Memorandum of Understanding which was recently updated but has been in effect since 1967. The agreement provides procedures by which the ICC can obtain safety fitness ratings from the BMCS computer system before deciding whether to grant emergency temporary or temporary authority. Applications are rejected if the carrier has an unsatisfactory safety rating from DOT. The agreement also provides procedures for BMCS to participate in permanent authority applications on safety fitness issues.

There is also a good relationship between the Commission and DOT regarding unsafe operators who may be operating on the highway. The Commission's staff conducts roadchecks for the purpose of discovering economic types of violations that come under our jurisdiction. When the staff observes vehicles which appear to have safety defects, the information is passed on to BMCS staff for their consideration. In addition, under the agreement, BMCS can petition the ICC to revoke or suspend an existing operating authority when a carrier who is subject to a DOT compliance order covering safety violations fails to correct the deficiencies.

The Commission does not take enforcement action on safety matters because it is not within our jurisdiction to do so.

NUMBER OF COMMISSIONERS

Senator Andrews: Last year you stated that by agreement the Commission is to be comprised of seven members. How many Commissioners are there at the moment? What plans does the Administration have to appoint new Commissioners?

Response: There are presently four Commissioners on board and three vacancies, as shown in the following table.

Commissioner	Expiration of Term
Reese H. Taylor, Jr.	12/31/83
Malcolm M. B. Sterrett	12/31/87
Frederic Andre	12/31/87
Heather Gradison	12/31/88
Vacancy	12/31/85
Vacancy	12/31/89
Vacancy	12/31/90

The expiration dates given are for existing seven-year terms. In accordance with provisions of the reconciliation act last year, the number of Commissioners will be reduced to 5 and new terms will be reduced to 5 years, as of December 31, 1985.

On December 10, 1982, the President nominated Paul H. Lamboley of Nevada to the Commission; his nomination was resubmitted in January 1983. As of this date, the Senate has taken no action on his nomination.

ENFORCEMENT

Senator Andrews: Last year the House and Senate Committees indicated concern with ICC's enforcement priorities. Although the Commission submitted a report in response, we still have some lingering concerns.

The Commission's December 31, 1982, report reflects increased emphasis from FY 1980 on "unauthorized transportation," but not nearly the same increased emphasis on areas of serious illegality, such as "lumping" (i.e., coercion in loading or unloading) which is a felony. Furthermore, your Report shows a decrease of activity in FY 1982 compared to FY 1980 for kickbacks and antitrust violations. Why aren't you taking these violations more seriously?

Response: Let me assure you that the agency does view kickbacks, lumping and antitrust violations seriously. The statistical data is more a reflection of the difficulty in detecting these types of violations than an indication of the agency's enforcement attitude toward them. When a carrier engages in unauthorized operations, its acts are open and notorious and, therefore, readily detectible through traditional techniques (e.g., roadchecks and compliance surveys). This situation is in marked contrast to the investigation of kickbacks and antitrust violations, which are often carried out in secret and are, therefore, harder to detect. Nevertheless, where such activity is uncovered, the agency does not hesitate to vigorously prosecute the violators. As evidence of this attitude, the agency recently referred for prosecution several criminal kickback cases to the U.S. Attorney in Arkansas.

The agency is now in the process of prosecuting four lumping actions. It is expected that even more cases will be developed in the future.

Senator Andrews: Should we conclude from your enforcement Report that bribery in the trucking industry is minimal?

Response: It is difficult to accurately assess the level of bribery in the transportation industry. The difficulty in uncovering many violations in this area stems in large measure from the level of secrecy traditionally associated with this type of violation. The offeror and acceptor of a bribe are not likely to engage in this activity openly. This type of violation is rarely uncovered during compliance checks and often must await the complaint of an insider before attention can be focused upon it. Nevertheless, whenever such a violation is discovered, the agency is committed to taking vigorous enforcement action.

Senator Andrews: Explain how you establish these enforcement priorities. Do you survey shippers and truckers, or are you in a reactive posture, waiting for complaints to arise?

Response: The enforcement activities reported in our December 31, 1982, report to the Senate and House Appropriations Committees were not intended to establish priorities. The comments were really made in response to the request that we report on specific enforcement categories, e.g., lumping, kickbacks, and other items that were of concern to the Committees.

The Commission has not established a priority listing of enforcement items. We did, however, hold a conference on enforcement on October 20, 1982, and, following a paper that had been prepared by the staff, discussed the level of intensity that would be applied to fifteen enforcement topics. As a result of that conference, the staff was provided guidance to follow. The guidance came in the form of a summary of the Commission's views during the afternoon session with Chairman Taylor, former Vice Chairman Gilliam, former Commissioner Simmons, and Commissioners Sterrett and Andre in attendance. For the convenience of the Committee, we have excerpted portions of the staff paper on each of the fifteen enforcement topics and summarized the Commission's directions to the staff on each of the points.

The Commission does conduct compliance surveys of truckers, as well as other modes of regulated transportation. We do not conduct compliance surveys of shippers because the Interstate Commerce Act does not provide the Commission visitorial inspection authority over shippers or receivers of freight. This is not to say that the Commission's staff does not investigate alleged violations of the transportation statutes by shippers. In fact, the history of enforcement by the Commission shows prosecutions of many shippers, when the facts disclosed such actions were necessary. Generally, the development of sufficient evidence against shippers to sustain a prosecution will demonstrate a high degree of investigative efficiency because our staff does not have access to shippers' records without their permission.

At one time, when staffing levels were higher, the Commission's compliance monitoring was primarily motivated by planning general and wide-scoped surveys. In more recent times, because of lower staff ceilings and refinements in the selection criteria for scheduling surveys, the compliance monitoring is geared toward the carriers and subject matters which are causing the most problems. We do depend heavily on complaints to direct the compliance program, principally because of the evolution and direction of the program and not a decision to be only reactive.

Following are the excerpts from the staff paper and summaries of Commission guidance.

Antitrust Activities

Working Paper Discussion - Competition is enhanced by deterring and correcting unlawful anticompetitive behavior. Enforcement efforts against such behavior are justified, not only because they enhance competition, but also because Congress has urged increased enforcement in this area. The Appropriations Committee, in its Report on the 1983 Budget for the Commission, questioned the lack of enforcement activity with respect to anticompetitive activities.

As antitrust immunity is reduced or eliminated, the transportation industry must revise its operations and procedures to bring them into compliance with the antitrust laws. Enforcement activity will be directed at promoting compliance by the industry, with laws which previously were not fully applicable to regulated transportation.

Enforcement activity is warranted, for example, when carriers agree to fix rates without following procedures set out in approved rate bureau agreements. On the other hand, enforcement action is not likely where, for example, carriers independently change rates even though similar rates may result.

Commission Direction - In severe and egregious matters, there is a role for ICC enforcement to play, but the ICC does not have sufficient resources to seek out every violation.

Ethics Violations

Working Paper Discussion - Deviations from the Commission's Canons of Conduct for I.C.C. Practitioners undermine the administrative decisionmaking process of the agency and can lead to erroneous decisions not supported by the facts. Therefore, the public interest requires that such behavior be investigated and prosecuted.

Typical of departures from ethical standards which undermine the administrative process and call for enforcement action would be the filing of false documents or, the failure, because of a conflict of interest, to represent a litigant adequately before the Commission. However, enforcement resources would not be expended where the practitioner's acts were not material to the rendering of a Commission decision. Continued referrals to State Bar Grievance and Disciplinary Committees would be made, where appropriate.

Commission Direction - Extremely important that enforcement move promptly and strongly.

Fitness

Working Paper Discussion - By virtue of the recently passed motor carrier legislation, applicants must show they are fit, willing, and able to provide the transportation for which authority is requested and to comply with the applicable promulgated rules. Thus, the Commission has a public interest responsibility to review the fitness of carriers.

OCCA will seek Commission approval to intervene in cases where the applicant's past conduct evidences a refusal or unwillingness to comply. Violations of the transportation laws (e.g., insurance, safety, public protection regulations) which are serious and ongoing, as well as other violations of law demonstrating a likelihood that in the transportation business the applicant will engage in illegal practices (e.g., fraud), are relevant to fitness. On the other hand, isolated or minor violations not showing a tendency to violate the law would not form the basis for a fitness inquiry.

Commission Direction - Enforcement should be in accordance with the second paragraph above.

Household Goods Practices and Weight-Bumping

Working Paper Discussion - The Household Goods Act of 1980 strengthened the protection for consumers against damaging actions by household goods carriers. In providing this protection, Congress directed the Commission to focus on widespread unlawful practices that cause injury and harm to consumers. At the same time, the Commission was directed to reduce burdensome paperwork regulations and to curb the enforcement of purely technical-type requirements.

Under this approach, enforcement consideration would be heavily influenced by whether or not actions of carriers or their agents result in patterns of abuse against shippers. Among the situations warranting prosecution would be repeated incidents of a carrier failing to meet its commitments to shippers as required and failing to resolve the resulting "harm" suffered by the shippers. Any incident of weight-bumping would receive enforcement consideration. In contrast, carrier irregularities that do not adversely affect shippers would receive little enforcement consideration.

Commission Direction - These violations impact on those least able to help themselves. The ICC should attempt to assist those through its enforcement actions. Weight-bumping was made a felony under the Household Goods Act and that provision should be enforced.

Insurance Requirements

Working Paper Discussion - Negligent operations by carriers on the nation's highways endanger the lives and property of the general public as well as shippers. To assure the protection of the public and shippers, the Congress and the Commission have installed safeguards requiring carriers to maintain adequate insurance and prohibiting operations when insurance policies are not in force. Activities to prevent or correct abuses in the insurance area are based on Congressional directives and public interest criteria.

Any instance of a carrier operating or likely to operate on the highways without adequate insurance will be handled expeditiously to enjoin the carrier from operating. Preliminary to that action, efforts would be made to encourage the carrier to obtain and file evidence of insurance or satisfy the Commission that operations will not be conducted until insurance coverage is in effect.

Commission Direction - The enforcement staff must move quickly to assure that no regulated carrier operates without insurance.

Kickbacks

Working Paper Discussion - Bribes and kickbacks inhibit free competition, because choices among competing carriers are not made on the basis of which is more efficient, but on the basis of a "payoff," frequently, to the traffic manager of a shipper. Kickbacks have become more prevalent in recent years as carrier representatives compete more aggressively for business and resort to unlawful practices to obtain traffic.

This unlawful activity is related to both the enhanced competition and Congressional directive criteria. The House Appropriations Committee, in its Report on the 1983 Budget for the Commission, questioned the lack of enforcement activity with respect to kickbacks.

A typical bribery incident would be where a carrier representative transmits funds directly or indirectly to the traffic manager of a large shipper in return for traffic routed via the carrier. This type of situation contrasts with providing entertainment or modest gifts to traffic managers. The important consideration is the extent to which the bribery results in diverting traffic from other carriers, such consideration being the basic guideline for enforcement in this area.

Commission Direction - The Commission does not have sufficient resources to seek out all violations of this kind, but those coming to the attention of the enforcement staff should be pursued.

Lumping and Other Owner-Operator Abuses

Working Paper Discussion - Owner-operators are usually the real victims of unwanted "lumping" and also are often cheated by unscrupulous carriers. Such carriers use contrived leases, schemes to withhold fuel reimbursement costs, and outright "skimming" of the owner-operator's earned portion of freight revenues to accomplish their cheating.

Congress specifically addressed the lumping issue in hearings before the House Small Business Committee and expressed its will in the Motor Carrier Act of 1980 by making "illegal lumping" a felony offense. The Commission itself has established requirements to protect owner-operators in their dealings with carriers. Thus, enforcement against lumping activity derives from Congressional directives, while compliance in the owner-operator area is allied with the public interest.

Attention already given to "illegal lumping" resulted in the development of sophisticated schemes to replace the earlier unconcealed practice of demanding that lumpers load and unload trucks, that were prevalent when Congress examined the issue. These more complicated schemes, particularly where the terminal market management is suspected of being responsible for the practice, will be subject to enforcement review. However, isolated instances of "illegal lumping," would be handled administratively to achieve compliance.

Respecting owner-operator abuses, schemes showing that carriers purposely manipulate owner-operators for their own unlawful gain would be subject to enforcement consideration. Less attention would be devoted to abuses that result from oversight or neglect.

Commission Direction - The Motor Carrier Act of 1980 made this violation a felony and it should be pursued by the enforcement staff.

Misappropriation of Carrier Assets

Working Paper Discussion - Misappropriation of carrier assets, where the carrier is a publicly-held corporation and investors may be harmed by the practice, is a felony under 18 U.S.C. § 660. It is, therefore, in the public interest to monitor this activity. Although few cases of this nature come to our attention, such practices have substantial impact on the industry.

A typical § 660 case arises where an officer of a carrier also owns or controls a company which charges inflated prices for equipment or material supplied to the carrier. Where this practice results in a depletion of carrier assets, the case would be pursued. On the other hand, cases involving closely held corporations, where the sole owner utilizes assets of the corporation for his benefit, would not ordinarily warrant the expenditure of resources.

Commission Direction - This type of violation should not receive much emphasis but any violations coming to the attention of the enforcement staff should be pursued.

Orders and Decisions of the Commission

Working Paper Discussion - The public interest requires that orders of the Commission be adhered to. Regardless of the substantive nature of the decision, it is necessary to insure that compliance is obtained. Otherwise, the orders are meaningless.

Commission Orders often require that carriers refrain from conduct believed to be inimical to the National Transportation Policy, or to conduct themselves in a certain manner. The orders would be rendered useless without enforcement activity directed toward court actions or follow-up administrative actions, including suspension and revocation of licenses.

Commission Direction - Violations of Commission orders and decisions should receive immediate attention from the enforcement staff.

Public Protection Regulations (Loss and Damage Claims, Overcharges, Duplicate Payments, C.O.D.)

Working Paper Discussion - There has been a rise in instances where carriers have delayed the processing of freight claims or have withheld unearned funds resulting from overcharges, duplicate payments of freight charges, and money collected from consignees on behalf of shippers for the price of the goods delivered. Activity to correct these unlawful practices falls within the public interest criterion.

Enforcement consideration would center on patterns of conduct that show carriers consistently and purposely retain unearned funds to enlarge their own treasuries. The same type of enforcement consideration would apply to carriers who disregard loss and damage claim requirements.

Less attention would be devoted to situations that do not indicate willful misconduct, but are caused by internal carrier problems.

Commission Direction - Enforcement emphasis should be directed toward assisting those unsophisticated users of transportation least able to help themselves. In addition, enforcement should be in response to complaints, as the Commission does not have sufficient resources to seek out all violations.

Rebates and Concessions

Working Paper Discussion - Rebates and concessions often lead to discriminatory pricing which inhibits free competition among shippers. These actions are nothing more than a form of kickback to the shipper. Agreement, express or implied, between a carrier and a shipper, to charge the shipper less than the tariff charges applied to a similarly situated shipper, gives the benefited shipper an unfair and unlawful competitive advantage. Enforcement in this area enhances competition.

An example of a concession case which would receive attention as an enforcement matter would be where a shipper misdescribes the freight, and the carrier, knowing the commodities to be misdescribed, nonetheless applies the lower rate. If competing shippers (which are not similarly favored) are rendered less able to compete effectively in the market at destination, investigative and enforcement action is warranted. On the other hand, where no discrimination is apparent and the departure from the tariff is not engaged in knowingly, enforcement action is unlikely.

Commission Direction - Enforcement emphasis in this area is to be consistent with the thrust of the report on the ICC's FY 1983 budget by the House Appropriations Committee.

Record Maintenance, Filing, and Access

Working Paper Discussion - Factfinding by the staff and decisionmaking by the Commission both depend upon the accuracy and availability of the records that carriers are required to maintain and/or reports that must be filed with the agency. As a means of insuring that accurate records are maintained, carriers are required by statute to make their files available for inspection by authorized Commission personnel. Activity in this area falls within the public interest criterion.

Where a carrier refuses to maintain the records which are necessary for an informed Commission decision, or where a carrier refuses to correct its deficient record system after appropriate warnings, enforcement action would be warranted, only after extensive effort fails to secure voluntary cooperation of a carrier. Additionally, where a carrier unlawfully refuses access to these records, appropriate enforcement action would be taken to remedy the situation.

Of less concern would be the widespread conditions that exist today where carriers fail to maintain records in the form and manner prescribed. Generally, these conditions prevail, not because of intentional disregard of the requirements, but because of the press of daily business and the turnover of personnel.

Commission Direction - Enforcement emphasis in this area also is to be consistent with the thrust of the report by the House Appropriations Committee.

Service Needs of Shippers and Communities

Working Paper Discussion - The regulated, exempt, and private carrier population generally is adequate to meet the service needs of the shipping and traveling public. Enforcement action is necessary only in the unusual situation, to require carriers to continue serving localities or specific shippers which otherwise might be shut out of the marketplace. Enhanced competition is the criterion for enforcement activity in this area.

An example of warranted activity in the service area would involve action taken in response to the discontinuance of rail service by a carrier, without following the governing abandonment procedures, leaving the affected community or branch line shippers with no alternative means of shipping or receiving their goods. Enforcement action in these circumstances generally would seek the resumption of service in the short term and leave the question of service for the long term up to the parties to argue in a traditional abandonment proceeding.

In the motor carrier area, enforcement activity would be even less likely, but it could come into play where a community or an individual shipper with specialized needs is economically threatened and unable to deal with the situation by self-help. An example would be an unlawful embargo situation.

Commission Direction - Since service does not appear to be a problem at this time, emphasis is very low in this area.

Unapproved Acquisitions, Mergers, and Consolidations

Working Paper Discussion - Whenever carriers act to acquire, merge, or consolidate without required Commission approval, anticompetitive results may obtain. For example, the acquisition by a large carrier of another large carrier operating in the same territory, may severely lessen competition. Therefore, enforcement action is justified on the basis of enhancing competition and in response to a Congressional directive, pursuant to the House Appropriations Committee's Report on the 1983 Budget.

Enforcement action would normally take the form of enjoining the merger until Commission authorization is sought and obtained. Such action would not be warranted where the parties voluntarily agree to seek Commission approval.

Commission Discussion - The Commission does not have sufficient resources to seek out these types of violations but should respond to any complaints received.

Unauthorized Transportation

Working Paper Discussion - Recently enacted legislation continues to require licensing. Therefore, it is in the public interest to require that all competitors obtain authority through the licensing process. Only in that way can Congressionally-mandated standards be met, particularly insofar as safety and insurance are concerned. This is especially important in the case of passenger carriers.

Situations arising where enforcement would be considered include:

(a) operations involving both unauthorized transportation and other offenses, e.g., obstruction of an agency proceeding or falsification of documents. For a variety of reasons, criminal prosecution may not be feasible. In these cases we will consider prosecution of the unauthorized transportation case;

(b) unauthorized operations having anticompetitive effects and where self-help remedies are not feasible;

(c) operations involving the transportation of property (hazardous materials) which would require the carrier to maintain maximum liability insurance; and,

(d) operations where administrative handling has proven fruitless. This involves carriers who have a history of unauthorized operations and/or those who completely ignore all Commission warnings.

Carriers engaging in limited unauthorized transportation of property would be subject to administrative efforts directed towards having them seek authority before any consideration would be given to enforcement action.

Commission Direction - These violations should receive high enforcement emphasis but must not become the overrriding focus of the entire enforcement activity. In this, as in all other enforcement areas, enforcement is the last step, to be employed only when efforts to educate, advise and assist have not been successful in bringing the carrier into compliance.

Senator Andrews: What will be the future of the Enforcement Program if the ICC is sunset, or merged into DOT? Would the FBI then become responsible?

Response: As the staffing and other resource levels of the Commission are decreased year by year, the amount of these resources available for enforcement activities decreases at a greater rate. Uncontrollable, non-enforcement work items such as licensing applications, tariff filings, complaints, rate and finance cases, and analytical studies are consuming larger parts of a smaller and smaller whole. The Commission has had no choice but to reduce the amount of resources dedicated to enforcement.

Yet, despite the regulatory changes effected by statutory and rulemaking action which have opened transportation to more relaxed entry and enhanced competition, there have been only minimal changes in the enforcement provisions which have always been applicable. In leaving these provisions intact, the Congress implicitly recognized that the presence of an enforcement capability is necessary before there can be any level of voluntary compliance. As long as the Congress leaves any level of regulation in existence, it must be assumed that compliance with those regulations is desired and expected. Enforcement cannot be sunset unless or until the underlying statutes and regulations are also sunset. If the ICC is abolished through sunset, and if there are any statutes and regulations remaining in effect, then the enforcement responsibility must be transferred along with responsibility for administration of those statutes and regulations. The recipient of these responsibilities would, of course, be determined by the Congress.

Senator Andrews: Your Memorandum of Understanding with DOT's Bureau of Motor Carrier Safety was signed last fall. Are you satisfied that a proper delineation of responsibility is in place, not just to prevent duplication, but to insure effective compliance?

Response: The intent of the Memorandum of Understanding was not to prevent duplication, since this was not a problem; rather, the memorandum reflected a revision of our 1967 agreement with DOT, which fostered cooperation and the exchange of information.

As a result of the current memorandum, our regional offices now have computer access to DOT's Management Information System, which contains motor carrier safety ratings. The arrangement has proved effective in preventing grants of emergency and regular temporary authority to unsafe applicants.

COMPLIANCE PLAN

Senator Andrews: Last year you made an analogy for us to explain what happens when roadchecks and compliance surveys are eliminated for the motor carrier and railroad industries. You explained that it would be like "removing the cop from the streets." Yet your FY 1984 request assumes a decrease in your compliance personnel from 527 in FY 1983 to 426. The level for FY 1983 was down by 61 from FY 1982. What have you done to make your people more efficient? What are your plans and goals for future compliance activities?

Response: The reductions in compliance personnel in our FY 1983 and FY 1984 budgets are both a result of the impacts of the 1980 motor carrier and rail deregulatory legislation and our cooperation with budgetary belt-tightening of the Administration. The Commission has had to reduce personnel in all its programs. However, the level of effort we put into compliance activities is much more discretionary than any of our other program activities. Therefore, a significant number of the staff reductions have occurred in this area. The effect of these reductions is that there will be fewer "cops on the streets" and a reduced overall compliance effort. To compensate for this we have altered our program policy and planning by targeting the most productive compliance activities identified through our computerized complaint data system or through ongoing compliance activities themselves. However, such activities cannot be expected to completely fill the void left by major personnel reductions.

We have tailored our compliance program to expend our limited resources in those areas most likely to achieve and complement the goals of the National Transportation Policy. To that end, our FY 1984 budget request is conditioned upon Commission recommendations to Congress for further deregulation of the motor carrier industry. To whatever extent further deregulatory actions are not taken either by Congress or the Commission, our task will be made more difficult. Even with further refinements, there is no guarantee that we will be able to achieve the level of compliance activity that we envision.

RAIL INDUSTRY HEALTH

Senator Andrews: What is your assessment of the financial health of the railroad industry? Would any further regulatory freedoms or changes impact the railroads' financial health?

Response: The recession severely affected railroad traffic and earnings during 1982. Revenue ton miles declined by more than 12 percent, while net railway operating income dropped almost 45 percent. Considering the magnitude of the recession, however, the industry fared quite well and we believe the long-term outlook for the industry as a whole is favorable. The Staggers Rail Act of 1980, the Economic Recovery Tax Act of 1981, consummation of several major rail mergers, and continuing Commission efforts to provide a favorable regulatory environment for the railroads, have all contributed to strengthening the financial structure of the industry. While the overall rate of return on investment is still far below adequate levels, it has risen well above the level of the mid-1970s and should continue to improve as the general economy recovers.

The railroads have already received substantial relief from regulatory restrictions by passage of the Staggers Rail Act of 1980 and the Commission's own actions to implement its provisions. The consequences of those actions are only now beginning to be reflected in the financial results reported by the railroads. The Commission is mindful of its responsibility to assist the railroads in gaining revenue adequacy and will continue to strive for all measures necessary to achieve that goal consistent with the National Transportation Policy.

Senator Andrews: What was railroad industry return on investment (ROI) in 1981? What do you expect for 1982?

Response: The rate of return on net investment for the railroads (excluding the National Railroad Passenger Corp.) was 4.17 percent in 1981, and preliminary figures indicate a rate of return of 2.19 percent for 1982. The following is our latest earnings report of Class I railroads for the four quarters and twelve months ending December 31, 1982, and December 31, 1981.

INTERSTATE COMMERCE COMMISSION
Bureau of Accounts
Washington, D. C. 20423

CLASS I LINE-HAUL RAILROADS SELECTED EARNINGS DATA
(000 OMITTED)

		QUARTER ENDED DECEMBER 31					TWELVE MONTHS ENDED DECEMBER 31					
District, Railroad and Year		Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Return on Net Investment d/ (Percent)
Eastern District	1982	$1,918,940	$(25,428)	$67,395	$67,395	42,313,399	$8,373,844	$56,505	$307,756	$307,756	178,331,661	.58
	1981	2,394,999	102,560	224,766	225,866	51,733,533	9,262,398	249,660	456,661	459,405	196,076,038	2.71
Southern District	1982	1,207,320	98,194	246,266	246,266	34,404,565	4,987,089	230,085	390,663	390,663	142,256,435	3.17
	1981	1,405,154	26,598	159,368	159,368	41,954,855	5,616,866	372,062	519,808	519,808	167,533,575	5.51
Western District	1982	3,355,580	111,825	112,194	112,194	116,052,926	14,145,760	481,158	483,158	483,158	478,593,040	2.67
	1981	3,898,936	66,623	177,316	265,029	131,178,000	16,019,343	764,242	1,027,054	1,123,950	548,071,230	4.42
Total All Districts	1982	6,481,840	184,591	425,855	425,855	192,770,890	27,506,693	767,748	1,181,577	1,181,577	799,181,136	2.19
	1981	7,699,089	195,781	561,450	650,263	224,866,388	30,898,607	1,385,964	2,003,523	2,103,163	911,680,843	4.17
National Railroad Passenger Corp. 1/	1982	131,925	(175,890)	(192,338)	(192,338)	-	537,282	(678,428)	(762,935)	(762,935)	-	-0-
	1981	107,504	(187,948)	(206,657)	(206,657)	-	1,037,873	(229,396)	(299,947)	(299,947)	-	-0-
Total All Class I Line-Haul RR's .	1982	6,613,765	8,701	233,517	233,517	192,770,890	28,043,975	89,320	418,642	418,642	799,181,136	.24
	1981	7,806,593	7,833	354,793	443,606	224,866,388	31,936,480	1,156,568	1,703,576	1,803,216	911,680,843	3.29
Individual Railroad Data Eastern District												
Baltimore & Ohio	1982	189,813	(9,831)	(5,705)	(5,705)	4,717,803	899,937	(279)	(2,675)	(2,675)	20,095,173	-0-
	1981	281,778	8,341	35,628	35,628	6,224,271	1,059,276	32,791	72,656	72,656	22,968,813	2.41
Bessemer & Lake Erie	1982	17,579	(1,562)	(486)	(486)	363,028	82,059	(240)	3,543	3,543	1,620,610	-0-
	1981	31,112	738	2,981	2,981	555,363	117,843	13,997	21,952	21,952	2,114,659	8.88
Boston & Maine	1982	28,647	(3,547)	(3,257)	(3,257)	585,707	120,053	(5,566)	(2,188)	(2,188)	2,424,698	-0-
	1981	30,361	(52)	3,938	5,038	574,918	121,918	(1,344)	5,228	6,328	2,250,250	-0-

Footnotes at end of table.

CLASS I LINE-HAUL RAILROADS SELECTED EARNINGS DATA

(000 OMITTED)

		QUARTER ENDED DECEMBER 31										
District, Railroad and Year Eastern District (Continued)		Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Return on Net Investment d/ (Percent)
Chesapeake & Ohio	1982	$241,379	$22,745	$32,065	$32,065	6,960,179	$1,041,113	$68,579	$118,335	$118,335	28,866,608	5.85
	1981	312,866	30,070	89,464	89,464	8,677,637	1,057,152	60,414	175,809	175,809	28,768,318	5.63
Consolidated Rail Corporation e/	1982	808,988	(35,733)	22,969	22,969	16,619,136	3,440,472	(124,066)	2,428	2,428	67,999,519	-0-
	1981	954,381	(12,734)	(4,436)	(4,436)	18,773,317	4,001,122	(83,962)	(106,616)	(106,616)	79,034,768	-0-
Delaware & Hudson	1982	25,422	(4,840)	(7,291)	(7,291)	836,278	110,573	(10,968)	(20,231)	(20,231)	3,247,592	-0-
	1981	30,522	(1,179)	(3,405)	(3,405)	852,680	120,181	(6,534)	(14,894)	(14,894)	3,495,779	-0-
Detroit, Toledo & Ironton	1982	16,017	(4,171)	(4,951)	(4,951)	318,750	68,272	(14,540)	(16,459)	(16,459)	1,284,761	-0-
	1981	20,590	(1,297)	(823)	(823)	348,119	86,448	(433)	(2,406)	(2,406)	1,507,735	-0-
Elgin, Joliet & Eastern	1982	19,933	1,276	2,021	2,021	117,361	89,180	3,935	8,046	8,046	465,087	2.67
	1981	23,367	815	2,201	2,201	104,637	109,982	5,698	11,517	11,517	547,402	3.91
Grand Trunk Western	1982	49,564	(11,047)	(12,514)	(12,514)	789,158	235,753	(7,910)	(11,425)	(11,425)	3,349,858	-0-
	1981	64,614	3,158	5,639	5,639	973,902	234,665	7,167	6,837	6,837	3,742,065	2.55
Long Island	1982	108,475	(6,971)	(8,158)	(8,158)	8,341	415,096	(35,245)	(39,998)	(39,998)	30,391	-0-
	1981	107,186	(4,633)	(6,192)	(6,192)	9,137	392,121	(29,749)	(35,156)	(35,156)	39,826	-0-
Norfolk & Western	1982	382,489	28,261	53,018	53,018	10,272,629	1,737,286	185,228	273,497	273,497	46,192,977	8.12
	1981	492,196	74,530	93,525	93,525	13,797,998	1,785,907	239,257	291,063	291,063	48,434,129	11.08
Pittsburgh & Lake Erie	1982	9,728	(3,058)	(3,540)	(3,540)	340,511	47,216	(11,631)	(16,690)	(16,690)	1,127,740	-0-
	1981	19,197	506	1,080	1,080	324,771	82,641	3,168	20,151	21,795	1,303,247	2.87

Footnotes at end of table.

CLASS I LINE-HAUL RAILROADS SELECTED EARNINGS DATA
(000 OMITTED)

District, Railroad and Year Eastern District (Continued)		QUARTER ENDED DECEMBER 31					TWELVE MONTHS ENDED DECEMBER 31					
		Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Return on Net Investment d/ (Percent)
Western Maryland	1982	$20,906	$3,050	$3,224	$3,224	384,518	$86,834	$9,208	$11,573	$11,573	1,626,647	5.74
	1981	26,831	4,217	5,166	5,166	516,783	93,142	9,190	10,520	10,520	1,869,047	5.63
Southern District												
Clinchfield	1982	23,485	(138)	0	0	968,948	100,637	11,326	0	0	4,170,009	7.96
	1981	26,457	4,412	0	0	1,287,508	104,271	25,639	0	0	4,389,872	18.11
Florida East Coast	1982	25,162	1,239	3,575	3,575	678,632	91,785	4,877	12,599	12,599	2,450,883	2.67
	1981	25,686	988	2,220	2,220	665,532	102,659	5,642	11,811	11,811	2,850,272	3.62
Illinois Central Gulf f/	1982	212,416	45,288	41,784	41,784	5,485,845	895,862	(29,171)	(24,859)	(24,859)	24,104,725	-0-
	1981	257,892	(5,233)	19,818	19,818	7,323,792	1,032,767	(16,370)	(5,921)	(5,921)	29,967,523	-0-
Louisville & Nashville	1982	256,325	22,785	14,136	14,136	8,034,800	1,103,897	70,420	32,699	32,699	34,016,364	4.88
	1981	324,236	11,769	41,673	41,673	10,552,791	1,267,434	98,337	104,413	104,413	40,663,746	7.29
Seaboard Coast Line g/	1982	305,903	(6,566)	156,278	156,278	8,030,918	1,191,311	22,189	226,634	226,634	31,053,937	1.39
	1981	320,115	(35,917)	43,552	43,552	8,822,272	1,319,066	32,812	197,425	197,425	36,505,074	2.17
Southern Ry.	1982	384,029	35,586	30,493	30,493	11,205,422	1,603,597	150,444	143,590	143,590	46,460,517	5.58
	1981	450,768	50,579	52,105	52,105	13,302,960	1,790,669	226,002	212,080	212,080	53,157,088	9.49

Footnotes at end of table.

CLASS I LINE-HAUL RAILROADS SELECTED EARNINGS DATA

(000 OMITTED)

District, Railroad and Year Western District		QUARTER ENDED DECEMBER 31					TWELVE MONTHS ENDED DECEMBER 31					
		Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Return on Net Investment d/ (Percent)
Atchison, Topeka & Santa Fe	1982	$488,302	$(5,727)	$(977)	$(977)	16,100,378	$2,077,660	$74,957	$56,207	$56,207	68,291,042	2.65
	1981	565,386	30,976	26,350	26,350	18,209,696	2,370,775	136,937	110,567	110,567	75,741,932	5.17
Burlington Northern	1982	975,472	95,201	71,694	71,694	40,312,078	3,767,163	183,195	174,331	174,331	157,714,883	4.43
	1981	1,024,133	36,382	76,457	76,457	42,904,330	4,080,624	204,951	273,304	273,304	174,940,750	5.12
Chicago & North Western	1982	197,542	3,813	(3,457)	(3,457)	5,670,964	807,860	(15,148)	(26,406)	(26,406)	22,866,018	-0-
	1981	227,292	1,306	8,500	11,138	6,715,053	983,168	19,584	7,500	19,321	29,515,105	4.01
Chicago, Milwaukee, St. Paul & Pacific h/	1982	79,592	(7,488)	(11,429)	(11,429)	2,072,472	363,549	(38,847)	(21,595)	(21,595)	9,411,654	-0-
	1981	94,157	(105,168)	(99,473)	(7,741)	2,405,196	404,359	(152,484)	81,414	173,146	10,518,111	-0-
Denver & Rio Grande Western...........	1982	67,028	4,888	4,316	4,316	2,200,851	292,463	17,854	16,148	16,148	9,841,198	4.70
	1981	84,404	10,447	10,769	10,769	2,886,939	335,091	30,647	30,295	30,295	11,568,449	8.14
Duluth, Missabe & Iron Range	1982	9,029	(4,385)	(3,409)	(3,409)	187,190	54,320	(8,729)	(4,595)	(4,595)	1,023,782	-0-
	1981	19,080	(3,519)	(1,391)	(1,391)	377,932	108,890	6,903	12,935	12,935	2,215,938	5.79

Footnotes at end of table.

CLASS I LINE-HAUL RAILROADS SELECTED EARNINGS DATA
(000 OMITTED)

District, Railroad and Year Western District (Continued)		QUARTER ENDED DECEMBER 31					TWELVE MONTHS ENDED DECEMBER 31					
		Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Railway Operating Revenues	Net Railway Operating Income a/	Income Before Extra-ordinary Items b/	Net Income c/	Revenue Ton-Miles of Freight	Return on Net Investment (Percent)
Kansas City Southern	1982	$70,569	$4,500	$527	$527	2,593,118	$307,569	$28,141	$16,026	$16,026	10,704,234	7.25
	1981	78,005	8,879	6,232	6,232	2,402,086	310,128	38,351	26,642	26,642	9,880,350	10.70
Missouri-Kansas-Texas	1982	51,123	4,713	1,682	1,682	1,479,983	230,049	17,339	6,138	6,138	6,693,354	7.03
	1981	62,693	7,360	2,785	(3,872)	1,738,400	268,251	26,694	14,332	7,675	8,402,424	13.02
Missouri Pacific	1982	378,157	24,649	13.291	13,291	11,264,398	1,676,764	148,271	108,620	108,620	49,766,194	6.32
	1981	463,440	41,233	34,855	34,855	13,845,842	1,887,660	178,502	148,323	148,323	98,298,607	8.40
St. Louis Southwestern	1982	76,123	5,027	7,269	7,269	2,737,078	340,973	27,811	33,864	33,864	11,319,159	4.28
	1981	100,244	(1,623)	41,136	41,136	3,282,031	388,875	24,274	61,001	61,001	13,341,349	4.15
Soo Line	1982	67,679	2,456	2,412	2,412	1,863,899	284,193	12,391	15,293	15,293	7,924,514	2.98
	1981	85,028	10,512	10,980	10,980	2,350,768	329,659	33,026	36,398	36,398	9,560,397	8.32
Southern Pacific Transportation Co.	1982	444,978	(41,827)	7,631	7,631	14,577,210	1,996,063	(85,665)	8,149	8,149	59,505,050	-0-
	1981	548,197	(14,013)	21,905	21,905	15,289,638	2,262,820	12,830	47,843	47,843	65,175,698	.49
Union Pacific	1982	412,334	30,866	26,100	26,100	14,108,445	1,773,337	127,733	105,028	105,028	59,677,928	4.40
	1981	502,141	47,136	37,980	37,980	17,856,965	2,100,793	214,407	167,368	167,368	74,544,887	7.43
Western Pacific	1982	37,652	(4,861)	(3,456)	(3,456)	884,862	171,797	(8,145)	(4,050)	(4,050)	3,854,030	-0-
	1981	44,736	(3,285)	231	231	913,124	188,250	(10,380)	9,132	9,132	4,367,233	-0-

Footnotes at end of table.

a/ Net Railway Operating Income - Difference between operating revenues and the total of railway operating expenses, railway tax accruals and net equipment and joint facility rents.

b/ Income Before Extraordinary Items - Net income after including fixed charges, non-operating income, unusual or infrequent items and earnings attributable to discontinued segments but before extraordinary items and cumulative effect of changes in accounting principles.

c/ Net Income - Net income after extraordinary items and cumulative effect of changes in accounting principles.

d/ Return on Net Investment - Ratio of net railway operating income to net investment in railway property used in transportation services at end of previous calendar year. The latter includes an allowance for working capital based upon the Commission's Rail Form A formula. If net investment data as of the end of each quarter were available, returns on investment would be computed by using an average of the net investment at the beginning and at the end of the respective twelve month periods. However, net investment data is generally only available as of the end of the calendar year; a substantial portion of this data is derived from annual reports (Form R-1) of Class I line-haul railroads which are required to be filed with the Commission by March 31 of the following year. Thus, the net investment data used for this report which represent the latest available end of calendar year data are not averaged in order to assure that net railway operating income is more closely equated, timewise, with the railroad assets generating this income. The symbol -0- for return on net investment indicates a deficit net railway operating income.

e/ Large difference between Consolidated Rail Corporation's net income and net railway operating loss for the fourth quarter and year 1982 was attributable primarily to $135.1 million of unusual or infrequent income items in 1982, consisting of: (a) $91 million of sales of tax benefits under provisions of the Economic Recovery Tax Act of 1981; and (b) a $44.1 million reversal of allowances for uncollectable receivables resulting from the transfer of commuter operations to regional commuter authorities.

f/ Illinois Central Gulf Railroad Company reported a $45.3 million net railway operating income and a $41.8 million net income for the fourth quarter 1982 because of a $58.5 million year-end write-off of its deferred income tax liability. This resulted in a large negative income tax expense. Consequently, net railway operating loss of $29.2 million and net loss of $24.9 million for the twelve months ending December 31, 1982 were substantially reduced because of this $58.5 million adjustment. Management disclosed that an extensive study resulted in a finding of no deferred income tax liability.

g/ Large difference between Seaboard Coast Line Railroad's net railway operating income (loss) and net income for the fourth quarter and twelve months ending December 31, 1982 was attributable primarily to $153.7 million of dividend income from Atlantic Land and Improvement Company, a wholly owned subsidiary. This resulted from the latter company's sale of a wholly owned subsidiary.

h/ The large favorable difference between Chicago, Milwaukee, St. Paul & Pacific Railroad Company's net income before extraordinary items and net income for the twelve months ending December 31, 1981 resulted primarily from extraordinary income from the following: (a) elimination of Federal taxes through utilization of tax loss carry forward; and (b) gain from extinguishment of certain long-term debt. The large difference between net railway operating loss and net income before extraordinary items for the twelve months ending December 31, 1981 was attributable primarily to dividend income and equity in undistributed earnings from affiliates, principally from the Milwaukee Land Company's sale of timberland and reserved mineral rights.

i/ Large differences in revenues and net Loss reported by the National Railroad Passenger Corp. (Amtrak) for the twelve months ending December 31, 1982 and 1981 are attributable to a change in the railroad's accounting for Federal subsidies. Prior to October 1, 1981, Federal subsidies for operations were included in operating revenues. However, due to a change in the law, effective October 1, 1981, Amtrak is required to issue preferred stock to the Federal government in exchange for subsidies. Consequently, Federal subsidies are now reported by Amtrak as additions to capital stock.

RAIL RATE ACTIONS

Senator Andrews: CSX has recently charged that Conrail is engaging in anticompetitive practices by actions to increase joint rates so that certain gateways are effectively closed to CSX. It seems as if shippers will be getting fewer transportation choices while paying higher rates. Some communities which depend on small businesses for economic life may be in serious trouble if entire rail hauls can be wiped out by these rate actions. What have the effects been of actions like those undertaken by Conrail on shippers and communities?

Response: Conrail and other rail carriers have utilized provisions of the Interstate Commerce Act which allow carriers unilaterally to cancel or surcharge joint rates, subject to certain conditions. These actions can result in different routings between two points carrying different rates. Once a joint rate is cancelled, one routing may have a single line rate whereas the other may have a higher combination of local rates over two or more carriers. The CSX charge appears to be directed at maintaining service competition only (i.e., the same rate regardless of routing and costs). The ability unilaterally to cancel joint rates sets the stage for both rate and service competition.

This relatively new regulatory environment, which places greater emphasis on rate and service competition, will, no doubt, cause some economic dislocation. However, our expectations and experience to date indicate that it will be very minimal. Comments solicited for preparation of our report to Congress on joint rate cancellations indicate that most shippers and communities have transportation alternatives. Small businesses that are truly dependent on a single rail carrier have recourse to the Commission when faced with unreasonable rail rates. Thus, for a small community to be jeopardized by rail rate actions it would have to be dependent on businesses which are totally captive to one railroad and unable to afford a reasonable rail rate.

A petition has been filed by the National Industrial Transportation League, docketed as Ex Parte 445, seeking a rulemaking with regard to joint use of terminal facilities, trackage rights and the establishment of reciprocal switching arrangements. Increased use of the statutory provisions in these areas could in many instances offset the impact of Conrail's actions.

Senator Andrews: Also, how does the ICC consider these effects when deciding whether or not to approve a proposed rate action?

Response: Under 49 U.S.C. 10705(e), a carrier canceling a joint rate has the burden of proving that cancellation is consistent with the public interest. In determining whether the cancellation is consistent with the public interest, the Commission is directed by the statute to:

> (1) compare the distance traveled and the average transportation time and expense required using the through route, and alternative routes between places served by the through route;

(2) consider reductions in energy consumption that may result from the cancellation; and

(3) consider the overall impact of cancellation on shippers and carriers affected by it.

Thus, the effect on shippers is only one of the factors to be considered. The relative weight accorded these factors varies with the circumstances presented. In the Conrail cancellation cases, shippers presented little or no evidence on these questions.

In addition, the carrier may cancel joint rates under 49 U.S.C. 10705a(c). Under that section, a rate cancellation generally cannot be suspended and investigated based upon a shipper challenge, unless the shipper has no competitive alternatives to the canceled route and can show that the canceling carrier's share of the revenues under the joint rate in effect is equal to or greater than 110 percent of the canceling carrier's variable cost of providing service.

SMALL COMMUNITIES

Senator Andrews: The Commission's study of the effects on small communities of deregulation concluded that regulatory reform has caused no dramatic change in rates or service. Do you continue to monitor these effects and if so has there been any change since your study was completed?

Response: We are not currently doing a formal study of the effects of trucking deregulation on service to small communities. However, we are continuing to monitor complaints we receive from shippers as a measure of their satisfaction with the quality of truck service. Since the Act became law in July 1980, the number of complaints filed against motor carriers of property has been on the decline. The average number of complaints per month for the thirteen months prior to passage of the Act was 1,745. From July 1980 through September 1982 the average monthly complaint level was 1,105. Further, there has been a sharp decline in small community complaints since the Act, averaging less than half of the pre-Act level. Also, small community complaints concern problems similar to those raised by larger communities. This suggests to us that small communities have not been harmed by the Act.

In addition to monitoring complaint levels, we follow research done by others on service to small communities. The Department of Transportation has funded several studies on this issue. The findings of these and other studies we have reviewed are consistent with our findings. That is, there has not been a deterioration of truck service to small communities; if anything, it has improved.

Senator Andrews: As economic recovery commences, and industry capacity is reduced, might there be a decrease in service to small areas?

Response: There is not evidence that increased demands on available capacity would result in decreased service to small or rural communities. An imprcved economy could attract more resources to the industry, with fewer regulatory barriers to entry than in previous cycles. A general freight carrier in Florida (where complete deregulation occurred in July 1980) indicated that it and probably others would continue to serve (and even strengthen service to) small rural communities, rather than attempt to compete with many large carriers in the more densely populated markets.

ROCK ISLAND SETTLEMENT

Senator Andrews: The claims of the Federal Government against the estate of the Rock Island railroad were settled this past fall. Last year you testified that a decision on payments for the directed rail service by the Kansas City Terminal would be likely to be settled in favor of the Kansas City Terminal. How has the settlement of the Federal claims affected the other decision on payments to the Kansas City Terminal?

Response: In providing directed service, Kansas City Terminal (KCT) operated as, in effect, an agent of the Federal Government. Thus, claims by the KCT against the Rock Island estate and claims of the Rock Island estate against the KCT were claims in favor of and against the Government. The Rock Island estate has asserted claims against the KCT of between $215 million and $350 million, a substantial portion for which the Government would have been clearly liable if the courts found in favor of the estate. KCT, on the other hand, utilizing accounting practices prescribed by the Commission in connection with directed service, asserted a claim of approximately $12 million against the estate. The settlement to which your question refers involved the Government giving up its claims, through KCT, against the Rock Island estate in return for the estate giving up its claims against the Government through KCT. Thus, insofar as relations between the Government-KCT and the Rock Island estate are concerned, all claims have been resolved.

RAIL CONTRACT RATES

Senator Andrews: What have the effects of allowing rail contract rates been on other modes of transportation? A recent article by William Bales in World magazine pointed out how coal contracts helped to improve pier operations. Has the ICC found other examples of increased efficiencies in other modes than rail as a result of the railroads engaging in contracts?

Response: We have not studied the effects on other modes, but there has obviously been some diversion of traffic from trucks and barges to the rail industry by use of contracts. For example, Conrail has a contract on fuel oil which yielded 6,583 carloads last year. This traffic previously moved by barge.

Other than the pier and vessel efficiencies brought about by coal contracts (such as those of the Norfolk Southern), we are not aware of any significant efficiencies in other modes brought about by rail contracts. The requested study of contract ratemaking which we plan to undertake could reveal such efficiencies and the extent of diversion to the railroads from trucks and barges.

DIRECTED RAIL SERVICE

Senator Andrews: How much of the $10 million limitation on obligations under the ICC directed rail service authority remains? Please provide a breakdown of what the obligations made under the $10 million limitation were used for and how much funding was involved for each.

Response: It is our understanding that the $10 million limitation on directed service obligations was established by Congress to limit the extent to which the Commission could obligate the Government under this authority prior to receiving Congressional approval in the form of an appropriation. The intent was to avoid the Commission and the Government getting into another situation similar to the Kansas City Terminal Railway Company's (KCT) directed service over the Rock Island lines. Since this limitation was placed on the directed service authority, the Commission has not used its authority to order any new directed service which would be subject to the limitation. The obligations that have been made recently involve the FY 1982 supplemental appropriation of $8 million to complete the accounting operations for the KCT directed service and funds that have been transferred to the ICC from the Federal Railroad Administration, in accordance with the directed service provisions of the Rock Island Transition and Employee Assistance Act.

PRINTING COSTS

Senator Andrews: You may not be granted authority to print in-house your motor carrier licensing application lists. Provide a detailed summary of what costs will result in FY 1983 and FY 1984 for Federal Register printing expenses. Indicate how you plan to meet these expenses given your justification levels which assumed in-house printing.

Response: We estimate total Federal Register costs at $1.2 million for FY 1983 if the ICC Register is not approved. That figure is based on actual costs through March 1983. In FY 1984, we expect Federal Register costs to remain relatively constant if there is no ICC Register to reduce external publication costs.

Our FY 1984 budget submission was predicated on approval of the ICC Register and corresponding savings in Federal Register costs. If the proposed change in publication procedures for motor carrier applications is not approved, a supplemental budget request of approximately $1 million will be necessary.

STANDARD-LEVEL USER CHARGES

Senator Andrews: Please provide details supporting the Commission's increase for Standard Level User Charges in FY 1984. We understand the Commission is actually reducing its space, so this increase is perplexing. Provide comparisons over the past five years of SLUC levels, costs per square foot, and costs per employee.

Response: The Commission needs an increase in funds for the Standard Level User Charge in FY 1984 because the General Services Administration is significantly increasing the cost per square foot of office space in the now fifty-year-old headquarters building from the near $9 rate of the last five years to $20.34—an increase of 139 percent. Cost of field office space is also increasing from an average of $7.42 per square foot in FY 1979 to $12.43 in FY 1984—an increase of 67 percent.

Charges per square foot of office space vary among the 55 field sites, from a low of $5.89 at Denver, CO, and Salt Lake City, UT, to a high of $17,50 at Seattle, WA, and $24.81 at Anchorage, AK, for an average of all locations of $9.76 per square foot in FY 1983. In FY 1984 Birmingham, AL, will cost the least at $7.37 per square foot and San Francisco, CA, the most at $27.49, for an average cost per square foot of $12.43.

Despite the release of almost 123,000 square feet of headquarters and field space since FY 1980, the Commission's space bill will increase by $2.9 million, attributable entirely to the large GSA assessment increase in Fiscal Year 1984.

Office Space

	Headquarters	Cost Per Employee	Field
FY 1980	294,095 sq ft. at $ 9.05	$1866	141,021 sq. ft.
FY 1981	290,245 sq ft. at $ 9.05	$2096	124,430 sq. ft.
FY 1982	248,340 sq ft. at $ 8.99	$2120	116,839 sq. ft.
FY 1983	219,805 sq ft. at $ 8.99	$2006	113,470 sq. ft.
FY 1984	203,805 sq ft. at $20.34	$4786	108,470 sq. ft.

APPEALS COURT DECISION ON MOTOR CARRIER FUEL COSTS

Senator Andrews: Last month, a federal appeals court held that the ICC exceeded its statutory authority in requiring motor carriers to reimburse owner-operators for a portion of their costs. Will the Commission, or any other party, appeal the decision?

Response: The Commission is presently considering whether to seek further judicial review of Central Forwarding, Inc. et al. v. Interstate Commerce Commission, No. 81-4437 (and Consolidated cases), U.S.C.A., 5th Cir. (1983), and will make its final determination by April 13, 1983. The Commission does not know whether the Justice Department or the two intervening respondents, American Frozen Food Institute and the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, will appeal this decision. Two shipper interests, the National Small Shipments Traffic Conference and the Drug and Toilet Preparation Traffic Conference have filed a petition for rehearing by the court of appeals.

I do not believe that the Commission exceeded its jurisdiction in adopting the fuel reimbursement plan. The question of whether the Commission has jurisdiction to regulate the carrier/owner-operator relationship involves a statutory interpretation of the Commission's general rulemaking powers under 49 U.S.C. 10321(a). In finding jurisdiction to implement the fuel reimbursement plan, the Commission relied on two court interpretations of its general rulemaking authority, American Trucking Ass'n v. United States, 344 U.S. 298 (1953), and Global Van Lines v. Interstate Commerce Commission, 627 F.2d 546 (D.C. Cir. 1980), cert. denied, 449 U.S. 1079. These cases indicate that the Commission has broad authority to promulgate rules to supplement the regulatory system of the Interstate Commerce Act. I believe that the fuel reimbursement program falls within that broad authority.

Senator Andrews: In what respects does this decision benefit the carriers and disadvantage the independent owner-operators? To what extent?

Response: The positive and negative impacts of the Federal Appeals Court decision cannot be determined with any accuracy at this time because it is not known whether the decision will be appealed or how both carriers and owner-operators will react and adjust to the situation. However, in general, carriers could benefit administratively by having one less regulation to comply with. If the fuel compensation program is terminated, carriers will probably revise their method of compensating owner-operators. Without the necessity to account for miles traveled and to make a separate fuel payment, a great deal of paperwork and recordkeeping could be eliminated. The resultant simplification in accounting, payment, and settlement procedures should reduce the amount of time spent by carrier employees on owner-operator matters, thereby reducing carrier costs. Some carriers might also reduce rates, which now include the cost of fuel reimbursement, if they no longer have to make the owner-operator mileage payment and do not otherwise readjust owner-operator compensation to account for fuel expenses.

On the other hand, owner-operators will no longer be assured of reimursement for their cost of fuel. This is an operating expense that owner-operators will now bear full responsibility for, despite changes in prices which may or may not be reflected in carrier rates. Owner-operators have little control over the carrier rates upon which their compensation is based. With rates depressed to their lowest level in years because of the present economic conditions and deregulation, many owner-operators claim that the fuel reimbursement payment is the only thing that keeps them in operation.

Although revenues have been decreasing, owner-operators face escalating expenses as a result of the increased taxes which are part of the Surface Transportation Act of 1982. At least a portion of these taxes, the increased fuel tax, was supposed to be recovered by the owner-operator transporting regulated freight under the Commission's fuel reimbursement program. This will no longer be the case if the program ends. Without offsetting fuel payments, net revenues for owner-operators may decrease even further.

It is very difficult to gauge the possible effects of the Fifth Circuit decision because so many unknown variables are involved—number of miles traveled, method of compensation, number of owner-operators under lease, and so on. Whether many marginally profitable owner-operators would go out of business, as feared, is open to question. It depends, in a large part, on what, if anything, carriers and owner-operators will do to replace the lost revenues form the fuel compensation program.

Senator Andrews: Do you think this decision presages other areas in which the courts will overturn ICC rules?

Response: I do not believe that the decision of the Fifth Circuit Court of Appeals in Central Forwarding mandates the reversal of any Commission rule. I expect, however, that parties presently challenging the Commission's actions in other cases will try to use this decision to undermine the Commission's jurisdiction wherever possible. This case has already been cited against the Commission in two appeals that do not even involve leasing rules.

OWNER-OPERATOR SEMINARS

Senator Andrews: We understand that the Commission is collaborating with the Department of Transportation on seminars for independent owner-operators on business practices, under the new Surface Transportation Assistance Act. What do you hope will be accomplished by these seminars?

Response: The Commission, in conjunction with the Department of Transportation and the Small Business Administration, has been holding a series of seminars, or training conferences, for independent owner-operators. The joint project began shortly after enactment of the Motor Carrier Act of 1980. It is intended to educate owner-operators in many aspects of establishing and operating a transportation business. Topics covered range from financial management and recordkeeping to compliance with safety regulations and insurance requirements. The Commission's portion of the conference is designed to help owner-operators better understand the environment in which they must function, thereby enhancing their ability to survive and become more profitable. It emphasizes the means to adjust to the changing regulatory environment and to take advantage of the eased entry and other opportunities afforded by motor carrier reform measures. Instruction is given on complying with Commission rules and regulations, and owner-operators are apprised of their legal rights, responsibilities and remedies under the Commission's leasing rules. A comprehensive training manual is provided to the participants. Although the interagency training conferences were initiated prior to passage of the Surface Transportation Assistance Act of 1982, instructors answer questions concerning the Act and cover relevant provisions in their presentations.

Senator Andrews: How are the seminars funded? How many have been or will be held?

Response: Each agency provides its own materials for its portion of the program, and promotional materials and all travel and expenses for the agency instructors come from each agency's own budget. Coordinators for each conference arrange for meeting facilities, which are usually free. When free space is not available, the Small Business Administration has been absorbing such costs.

In the two years that the interagency seminars have been in operation, 54 conferences have been conducted in locations throughout the United States. We are now presenting the third series of the training conferences and 5 more are planned through August of this year. Unlike the approach taken in the first two series of seminars, in the present one, rigid schedules for the full year are not set far in advance of the meeting dates. Instead conferences are scheduled and held according to regional needs and demands. Additional seminars will probably be scheduled for the latter half of the year.

Senator Andrews: How many people have attended? What reaction have they had to the information provided?

Response: From July 8, 1981, through March 16, 1983, there were 2,186 participants. The overall reaction of the participants was positive, and the majority expressed appreciation that the Federal Government had undertaken such a program.

Specifically, we requested each participant to complete a one page evaluation form. Fifty-seven percent of the initial participants responded. A summary of their comments reveals that the participants: (1) were both surprised and pleased to see that the Federal Government is interested in helping them; (2) found the practical information (e.g., Business Management, Motor Carrier Regulations and Safety and Insurance Regulations) very informative and worthwhile; (3) felt they had gained a better understanding of good business practices and Federal economic and safety regulations; and (4) recommended that similar conferences be held in the future.

Senator Andrews: Do you believe this is the best method to increase owner-operator efficiencies?

Response: We believe that knowledge of business management techniques of small businesses in the surface transportation community is essential to successful operations. Our conferences aim to help small trucking firms increase the efficiency, productivity and profitability of their operations, which may ultimately determine who is, or who is not, successful in the marketplace. A program of this type which is specifically designed to assist small trucking firms deal more effectively with their business operations may not ordinarily be available or accessible to these owner-operators.

Senator Andrews: To what extent are business management problems the cause of the owner-operators' turnover rate, which we understand is 20 percent yearly?

Response: Owner-operators often do not recognize the value of sound financial management, even when their firms are in financial difficulty. As a consequence, the effective use of sound financial management procedures allows owner-operators to make the best use of the resources available to them, facilitating better long-and short-range planning and control of their operations.

However, in recent years, business management problems are a relatively small part of the financial difficulties of owner-operators when compared to other problems, such as limited market for their services, heavy competition from other motor carriers, high fuel costs, taxes, and other administrative expenses. Financial management training can only help minimize the impact of financial difficulties. In our seminars, we answer questions and provide advice regarding these other problem areas also.

MC-166

Senator Andrews: What is the Commission's timetable on issuing this proceeding regarding motor carrier rates under the Motor Carrier Act?

Response: The Commission expects to take action in Ex Parte MC-166, Pricing Practices of Motor Common Carriers of Property Since the Motor Carrier Act of 1980, in June 1983.

Senator Andrews: What range of comments have you received? Is there a concensus regarding predatory prices?

Response: The comments submitted in response to the Commission's notice in Ex Parte MC-166, Pricing Practices of Motor Common Carriers of Property Since the Motor Carrier Act of 1980, show a valid cross-section of the beliefs and actions of all those involved in the motor carrier transportation business. The Commission received comments from large and small carriers, carrier associations and rate bureaus, large and small shippers, shipper trade associations, government agencies, owner-operators, practitioners, a union and consultants.

The views expressed in the comments indicate that, while in some areas there is general agreement among various segments of the industry, in other areas there is no consensus, even among members of the same group. Specifically, regarding predatory pricing practices, the comments show a diversity of opinion. While many of those who commented recognize the existence of predatory practices in the industry, others argue that predatory practices are unlikely in the trucking industry and recommend that the Commission continue its case-by-case analysis in this area, rather than promulgate any general standards.

MC-165

Senator Andrews: The Contract Carrier Conference has petitioned the Commission to exempt it from filing rate schedules. What decision is forthcoming in this area?

Response: The Commission has issued a notice of proposed rules in Ex Parte MC-165, Exemption of Motor Contract Carriers from Tariff Filing Requirements, served December 21, 1982 (47 Fed. Reg. 57303, December 21, 1982). In that notice, the Commission proposed to exempt all motor contract carriers of property and passengers from all schedule filing requirements pursuant to 49 U.S.C., Sections 10702(b), 19761(b), and 10762(f). Comments on the proposal were requested and have been received. A draft decision is currently being prepared by the staff for consideration by the Commission. A final decision should be issued on or before April 22, 1983.

Senator Andrews: What commodities, regions and shippers are likely to be affected if the Commission exempts the Conference from filing the minimum rates now required?

Response: As proposed, the exemption would affect all commodities, regions, and shippers. There is no reason to believe that its impact on any of these segments would fall unevenly. Our notice of proposed rulemaking noted that such an exemption would appear to be very pro-competitive, since it would allow contract carriers to react efficiently and quickly to changes in market forces. It would also benefit small shippers and communities, by allowing contract carriers to meet the individual needs of shippers as soon as, and wherever, those needs might arise.

We would also note that, contrary to the thrust of the question, the vast majority of contract carriers are required to file their actual rates rather than minimum rates. Only a few small classes of contract carriers may file minimum rates under 49 U.S.C. 10762(a)(1).

Senator Andrews: What ICC staffing savings are estimated to result if this exemption is granted?

Response: Staff savings resulting from a motor contract carrier schedule filing exemption will be minimal, approximately one staff-year. Contract carrier filings in the past year were 66,446, or approximately 7 percent of the total number of carrier tariff and schedule filings. While contract carrier schedule filings have increased since the Motor Carrier Act of 1980, such filings are still a proportionately small percentage of the total number of tariffs received, thus the minimal impact on workload and resources.

LEGISLATIVE CHANGE

Senator Andrews: Your budget request is predicated on Congress passing legislation to further deregulate the motor carrier industry. Legislation has not yet been transmitted. Provide for the record all supporting salary and expense estimates for FY 1984 levels of both approximately 1,300 full-time permanent staff-years, and of approximately 1,200 full-time permanent staff-years as endorsed by the Chairman in the absence of legislation. Include a comparison to fiscal year 1983, by activity.

Response:

PROGRAM	FY 1983 Staff-Years	FY 1983 $000	FY 1984 Staff-Years	FY 1984 $000	FY 1984 Staff-Years	FY 1984 $000
Policy and Analysis	149	$ 7,776	141	$ 8,102	139	$ 7,987
Proceedings	541	25,278	510	25,564	462	23,158
Compliance and Consumer Assistance	527	24,813	500	25,539	463	23,649
Enforcement	165	7,733	149	7,444	145	7,244
Total	1,382	$65,600	1,300	$66,649[1]	1,209	$62,038

[1] The increase in dollars associated with the decrease in staff-years is the result of the offsetting impacts of the 1982 executive pay raise, which was not included in our FY 1983 budget, and the large increase in rent paid to GSA, which begins in FY 1984.

ELECTRONIC TRANSMISSION OF TARIFFS

Senator Andrews: The Commission has initiated a rulemaking regarding "electronic transmission of tariffs." Although the comment period extends through April, what can you tell us about the potential benefits of such an innovation?

Response: Ex Parte 444, Electronic Filing of Tariffs, is an advance notice of proposed rulemaking. It is not yet a rulemaking but indicates an intent to institute a rulemaking dependent upon the public response to this notice as to the need, feasibility, and expected utility of a system to accommodate the filing of tariffs and the exchange of tariff data between carriers and the shipper public through electronic means.

A most basic and important potential benefit will be the speed with which carriers will be able to react and revise their tariffs (rates) to meet the demands of the shippers and thus allow the marketplace to function more efficiently. Under normal conditions with today's system, it takes a minimum of 45 days to complete a change in carrier pricing. Tariff changes must be compiled, revisions to tariff provisions printed and delivered to the Commission, and the 30-day statutory period for the public to react must expire before a change becomes effective. Through electronic processes, tariff revisions could conceivably be compiled, filed with the Commission, and transmitted to tariff users (shippers) simultaneously. This would greatly reduce the compiling, printing, and distribution time and allow for shorter statutory periods for public reaction.

Another major benefit should be more effective use of the Commission's resources. Today, all tariffs are manually received, reviewed and filed. Through electronic transmission and storage, the need for resources, both employees and space, should be reduced. At this point, a savings estimate is not practical; however, data we expect to receive through Ex Parte 444 should enable us to make some initial savings estimates.

Tariff publishers, carriers, and tariff users should also realize savings, since they must maintain tariff files, just as the Commission does, to track their costs and prices. Improved productivity should be realized by all parties dealing with an electronic filing and tariff data storage system.

Senator Andrews: Provide any available information on potential costs to be borne by the Commission for hardware, consultants and implementation.

Response: At this point, any estimate of potential costs would be simply conjecture. This is the type of information we expect to receive as we go through the process in Ex Parte 444.

Senator Andrews: How might industry share these costs?

Response: The issue of costs and how these costs might be shared by the carrier and shipping public is raised in Ex Parte 444. At present, the public has access to all carrier tariffs through the Commission's Official File. This is required by statute. Tariff users (shippers) also can subscribe to and receive copies of carriers' tariffs for nominal fees. We assume the same sort of services would be provided for electronically filed tariffs. However, if the Commission becomes the central depository for all electronically stored tariff data that can be instantaneously called on by interested parties to determine a rate or cost of shipping commodities between specific points, a user fee would seem to be in order.

Senator Andrews: Also provide information on the source and types of tariff data and to whom it would be transmitted, as compared to current procedures.

Response: Currently, the Commission receives most tariffs through the mail, overnight express services or by hand delivery. All tariff data received is placed in a library-type file, by carrier or publishing agent name, and made available to all parties through a check-out system controlled by Commission personnel. Initially, we envision a system at the Commission that will provide the same service — receipt, storage and public access — through electronic means. However, receiving and storing the data electronically provides the possibility of more expanded services, possibly to the extent of querying the system to determine the lowest cost transportation mode, the cost by specific carriers, and the carriers that provide service between specific points — in other words, a rate and carrier search system. This is the purpose of Ex Parte 444 — to determine what the public needs are, whether such a sophisticated system is practical, and just how involved the Commission should be in the process.

HOUSEHOLD GOODS MOVEMENT DEREGULATION

Senator Andrews: Last year you indicated that you did not have sufficient information on the effects of household goods movers deregulation to reach conclusions on how the 1980 Act affected the moving industry. Provide results of the Commission's analysis of the 1982 moving season data and indicate what compliance areas were addressed.

Response: Although the changes in the household goods transportation industry brought about by the 1980 Act are still emerging, during the 1982 moving season, there were several significant identifiable trends.

Due to the more flexible entry provisions of the Act, there has been an expansion of authority by some existing carriers. However, there has not been a great influx of new carriers. While an upturn in the economy could possibly encourage more new entry, since there are many agents of carriers that have the necessary equipment and experience to operate independently at least on a regional basis, there was not a sufficient number of new entrants to have a significant impact during the 1982 moving season.

One notable new development in the household goods industry since 1980 is the use of contracts by household goods moving companies. This appears to be a practice that will become a substantial marketing tactic in the industry.

Despite the predictions of many, binding estimates have not become the rule of the industry. Although offered by most of the major carriers, only one carrier chose to rely extensively on this pricing mechanism. While we have not yet developed similar data for 1982, the 1981 situation was as follows: of the estimated 50,000 shipments transported under binding estimates (which represents 2.5 percent of total shipments), 47,000 were transported by the one carrier. The use of such estimates in 1982 was growing, however, and shippers generally were indicating in Commission questionnaires a preference for price certainty in selecting a carrier.

The 1982 moving season was affected by the Commission's adoption of new rules, which became effective February 1, 1982, implementing the provisions of the Act. These changes were primarily in the areas of reduced paperwork and regulations for carriers, and protection of the individual shipper. With respect to paperwork reduction, notices of agency agreements were eliminated and quarterly reports relating to the number and reasons for underestimates were no longer required. An estimated 40,000 carrier work-hours were saved last year through these changes.

Shipper protection was enhanced because, under the new rules, each carrier was required to implement a program which assured that the individual shipper was informed: (1) of his or her rights and responsibilities; (2) of the existence and details of the carrier's claims dispute resolution program, (3) of how to use it on specific complaints, (4) of the right to observe any weighing of shipments that may be involved, and (5) of the right to be notified of any delays. Shippers were also advised that under nonbinding estimates they need pay no more than 110 percent of estimated charges in order to receive delivery, with 30 days in which to pay any other balances due.

The number of household goods complaints to the Commission was down substantially from 24,609 in FY 1979 to 5,272 in FY 1982. While no general compliance survey program was undertaken during the 1982 moving season, because the new regulations had not been in place long enough, the Commission is currently engaged in conducting an industry-wide survey of the household goods carriers to evaluate the effectiveness of the new regulations. The complaints received were reviewed regularly to determine compliance problems, which were handled administratively on an ad hoc basis.

Senator Andrews: Why does not the Commission's tracking system contain separate information on household goods applicants? How can you estimate the results of eased entry?

Response: The Commission's tracking system does not contain separate information on household goods applicants because no one ever has required, or expressed a need for, such information. Applications of household goods carriers are subject to the same eased entry standards of the Motor Carrier Act of 1980 as those of other property carriers, are considered under the same evidentiary criteria, and, presumably, are granted with the same frequency—over 98 percent. The results of eased entry cannot be estimated, other than by concluding that the eased entry standards of the Motor Carrier Act of 1980, and the fitness-only application category created by section 10(a) of the Household Goods Transportation Act of 1980 (transportation for the U.S. Government of used household goods incidental to a pack and crate service on behalf of the Department of Defense), have increased the number of licensed carriers and the amount of competition in the household goods industry.

Senator Andrews: What is the state of the household goods movers' industry?

Response: At this time, we have no knowledge of any large household goods carriers suffering severe financial problems. While the 15 largest moving companies enjoyed a relatively good third quarter in 1982, with increased earnings over 1981, the fourth quarter was less productive. Data for the 12-month period ending December 31, 1982, reveal, when compared with 1981, a 3.5 percent drop in revenue, a 4.1 percent reduction in tons hauled and a 2.8 percent decline in net income.

We do believe that some smaller carriers, whose operations are confined to those areas of the country where the general economic recession has been the most severe, may be experiencing some financial problems; however, we have no hard statistical data on this.

Senator Andrews: Have recent improvements in the housing industry been reflected in more stability in the industry?

Response: There are no substantive figures available to use that would directly correlate the improvements in the housing industry to stability in the interstate household goods transportation industry. Our studies indicate that most interstate moves are made with the shippers having little discretion as to if, when, or where they move. There are some indicators, however, that do reflect a sensitivity of household goods movement activity to variations in the housing industry itself.

Senator Andrews: What specific benefits have accrued to the consumer as a result of 1980 deregulation? What percent of total household goods movements resulted in complaints last year?

Response: Information obtained through an analysis of complaints received and the Moving Service Questionnaires completed as a result of a Commission survey indicates that carriers are obviously providing a better quality of service. The industry is offering a wide variety of price and service options which enable consumers to better select the level and quality of service they require at a competitive price. The increasing practice of the carriers to obtain contract carrier authority is particularly beneficial to the larger commercial shippers.

It is estimated that 1.5 million shipments of ordinary household goods were transported by the interstate carriers in 1982. During that year, 5,272 complaints were made against those carriers. This represents one complaint for each 285 shipments, or approximately .35 percent of total shipments. This contrasts with 18,942 complaints in 1980 and 10,969 complaints in 1981 on roughly the same volume of shipments.

Senator Andrews: What major price and service changes have taken place since February 1982, at which time the Commission's implementation regulations were upheld?

Response: Carriers have published tariff items providing for discounts applicable to intercity transportation charges based on such factors as movement to and from certain geographical areas, the number of shipments transported, and the aggregate weight of shipments tendered by a shipper within a given time frame.

The use of binding estimates is increasing in the household goods area, indicating the industry's willingness to use this pricing alternative, and acceptance by individual shippers that cannot make use of volume discounts and other alternatives available to commercial shippers.

Most carriers are offering guaranteed service dates and a predetermined amount of compensation to the shipper in the event of a carrier's failure to perform.

Full value liability protection on goods transported has become an option, offered at an additional charge, by all of the major carriers.

REGULATION TASK FORCE

Senator Andrews: Last year you stated that the Commission would have modified or eliminated 40 of 76 regulations due to the results of cost/benefit analyses. Please provide for the record a summary of those regulations which were changed, plans for taking action on all 76, and whether the task force has identified additional regulations for modification or elimination. Provide summaries of the cost/benefit conclusions as a result of this activity, and savings realized either by the Commission or regulated carriers.

Response: The Commission has continued its initiatives to eliminate or modify regulations that may be outdated or burdensome. From the list we referred to last year, 45 rulemakings or sections of the Code of Federal Regulations were initially identified for priority action. Due to the fact that the proceedings which resulted from our review involved more than one CFR section in some instances, the number of proceedings was reduced to 35. Most of those proceedings have now been completed, as indicated in the listing which follows. Our conclusions on the costs/benefits are discussed in the decisions in the individual proceedings.

UPDATE OF PRIORITY LIST OF REGULATIONS

March 1, 1983

EX PARTE NO.	CFR CITE	SUBJECT MATTER	STATUS
	1010	Competitive Bids (§10, Clayton Act)	-No change justified at this time; change requires legislative action
52	1031	Divisions of Revenues from Joint Rates on Ry. Fuel	-Decision served 4/15/82
252 (Sub. 5)	1036	Incentive Per Diem Charges	-Decision served 8/26/80
230 (Sub. 6)	1039	Improvement of TOFC/COFC Regulations (Railroad Affiliated Motor Carriers and others)	-Decision being reviewed -Decision served on 3/7/83
246 (Sub. 3)	1100.2	Rail Exemption — Long and Short Haul Transportation	-Decision served on 11/4/82
387	1039	Railroad Transportation Contracts	-Action withheld pending the ICC's 1983 legislative package
55 (Sub. 51)	1041	Interpretation - Motor Carrier Certificates and Permits	
111 (Sub. 1)	1045.11 1033 1141 1151 1132	Transfer of Broker, Water Carrier, and Motor Carrier Certificates, Permits, and Licenses	-Passenger brokers deregulated by Bus Regulatory reform Act of 1982 -Other modes addressed in Ex Parte No. 111 (Sub-No. 1) for which the NPR is being coordinated with new procedures for exempting certain motor carrier transactions. NPR's in both proceedings to be issued
75 (Sub. 3)	1047	Agricultural Cooperative Exemption	-Decision will be circulated for voting shortly.

UPDATE OF PRIORITY LIST OF REGULATIONS

EX PARTE NO.	CFR CITE	SUBJECT MATTER	STATUS
43 (Sub. 12) (Sub. 13)	1057	Lease and Interchange of Vehicles (Rules Modifications)	-Decision served on 11/29/82
	1061	Limitation of Smoking on Interstate Passenger Carrier Vehicles	-No change needed
55 (Sub. 49)	1065	Gateways and Tacking -- Irregular Route Common Carriers	-Decided 3/16/82
	1067	Fitness Flagging Procedures	-Regulations superseded by legislation and court action
	1085	Freight Forwarders of Household Goods (Information for shippers)	-No change justified at this time
37130 (Sub. 1)	1100.23	Special Docket Proceedings (Waiver of Insignificant Amounts; Simplification of Procedures; and Informal Complaints Seeking Damages)	-Served 3/2/82
37400	1005,1057 1220	Electronic Transmission of Freight Bills by Motor Carriers	-Served 3/25/82
55 (Sub. 43A)	1100.25	Applications for Operating Authority	-Served 12/24/80; partially overturned by Court of Appeals; Writ of Cetiorari filed 7/9/82. Cert. denied.

UPDATE OF PRIORITY LIST OF REGULATIONS

EX PARTE NO.	CFR CITE	SUBJECT MATTER	STATUS
290 (Sub. 2) (Sub. 4)		Railroad Cost Recovery Procedures	This is an ongoing proceeding as the Commission responds to and initiates changes in costing techniques. For example, Sub (4) was begun on 7/23/82 to consider amending the rules to include a productivity adjustment.
282 (Sub. 3) and (Sub. 8)	1111	Rail Carrier Consolidation Procedures	-Served 3/4/82
392	1120	Application Procedures for Certificates to Construct, Acquire, or Operate a Rail Line	-Served 2/25/82
274 (5)	1121	Revision of Rules for Abandonment of Rail Lines and Discontinuance of Service	-Commission instructions for redrafting of decision issued.
432	1117, 1118, 1135	Reorganizations of Motor and Rail Carriers	-Served 9/15/82
205	1033, 1254	Maintenance of Demurrage Records and Car Service Rule 15	-Decision served on 12/29/82
	1300	Tariff Revision	-Ex Parte No. 444, Electronic Filing of Tariffs, served on 3/7/83; Tariff regulation revisions to be proposed in April
MC-88 and MC-88 (Sub. 1)	1307.35(e) 1310.15(b	Rules on Detention of Motor Vehicles Nationwide and in Alaska	-Decision served on 11/9/82

UPDATE OF PRIORITY LIST OF REGULATIONS

EX PARTE NO.	CFR CITE	SUBJECT MATTER	STATUS
MC-145	1310	Cancellation of Motor Carrier Joint Rates and Through Rates	-Decision served 1/11/83
MC-156		Applications for Motor Carrier Operating Authority by Railroads and Rail Affiliates	-Decision served on 1/06/83
282(Sub.5		Traffic Protective Conditions in Rail Consolidation Proceedings	-Served 3/19/82
346(Sub.7		Railroad Exemption--Export Coal	-Decision to grant exemption announced, written decision due in April
346(Sub.8		Railroad Exemption--Boxcar Traffic	-Decision to grant exemption announced; written decision due in April
347(Sub.1		Coal Rate Guidelines--Nationwide	-Decision served on 2/24/83
388		State Intrastate Rail Rate Authority	-Served 5/11/82
MC-122(Sub.2		Lease of Equipment and Drivers to Private Carriers	-Served 2/17/82; stayed in Court of Appeals

QUESTION SUBMITTED BY SENATOR KASTEN

CANADIAN MOTOR CARRIER LICENSING

Senator Kasten: Last year in the bus deregulation legislation Congress included a provision which ordered a ninety-day moratorium on the processing of Canadian trucking license applications by the Interstate Commerce Commission. Negotiations between the United States Trade Representative and Canadian officials were held and points of agreement were reached. However, while there are some indications the Canadian government may loosen up in granting American trucking companies certificates, the fact is that licenses are not being granted. The simple truth is that the Canadian provinces and the Canadian federal government still have barriers in place, while the ICC is freely granting certificates to Canadian truckers. Could you address this issue and indicate what the Commission is currently doing to help American carriers?

Response: In a comprehensive investigation of the Canadian situation, Ex Parte MC-157, the Commission found that Canadian provincial motor carrier licensing laws, although more restrictive than those of the Motor Carrier Act of 1980, are applied nondiscriminatorily to American and Canadian applicants. We did find some evidence that the Foreign Investment Review Act and its administration may act as a deterrent to new investment by American companies in the Canadian motor carrier industry, but the investigation did not establish that American carriers had been significantly harmed. Accordingly, we concluded that action by the Commission was not warranted at this time.

That decision, issued last October, made it clear that the Commission will monitor the transborder transportation situation carefully to see whether further proceedings are necessary. We will also participate in the consultative mechanism established in a Memorandum of Understanding between the United States and Canada, with a view toward resolving problems which affect either or both countries in the trucking sector. The first meeting of that group was held this month.

QUESTIONS SUBMITTED BY SENATOR CHILES

SUNSET OF THE ICC

Senator Chiles: Last year Mr. Taylor talked about the sunset of ICC as a slow process similar to bringing deep sea divers up from the bottom of the ocean. Mr. Taylor stated that it must be done slowly and suggested that ICC could be abolished in under 5 years.

This year we are hearing proposals to abolish the ICC as well as the Federal Maritime Commission and the Civil Aeronautics Board and permit their functions to be absorbed into one new regulatory agency.

If this proposal were followed or if we simply decide to sunset the ICC, the Congress must decide which functions should be kept and which ones we can do without.

Mr. Taylor, what is your view with regard to the sunset of the ICC? Do you still believe it should occur within five years?

Response: At last year's hearing, in response to a question concerning sunset of the ICC, I indicated sunset might be possible within 5 years, but a 5-to-10-year timeframe would be more reasonable.

Whether sunset should occur within a particular timeframe depends on the type of substantive legislation enacted. While broad deregulatory motor carrier legislation will probably be proposed by the Administration shortly, I am not aware of any proposals to eliminate rail regulation. Until there are additional changes in the rail area, sunset would not appear practical.

On the other hand, it is possible that several independent regulatory agencies could be combined into one agency, as proposed in Senator Packwood's bill, S. 48. The Commission is studying this matter now and will formulate its position prior to the hearing before the Senate Commerce Committee scheduled for April 27, 1983.

Senator Chiles: What ICC functions do you believe could be completely eliminated and which ones will need to be continued? What agency do you believe should acquire these functions?

Response: I believe most regulation of motor carriers of property could be eliminated. We have already proposed a "fitness only" test for motor carrier licensing, and I anticipate the Commission will support the Administration's proposal which is expected to sunset economic regulation for motor carriers of freight.

At this time, there appears to be a need for continued regulation of railroads in various areas, such as consolidations and mergers, and rate regulation where there is an absence of effective competition. Some continued jurisdiction in the household goods area also appears warranted, in view of the special needs and problems of individual household goods shippers. This is also true in the bus area. Additionally, in view of the recent enactment of the Bus Regulatory Reform Act of 1982, further changes are probably not advisable until more experience is gained under that legislation.

In response to the second part of your question, the Commission is in the process of developing a position on this issue.

Senator Chiles: Do you feel it would be practical to merge ICC functions with those of the Federal Maritime Commission and the Civil Aeronautics Board into one new regulatory agency?

Response: The Commission is presently studying this matter with a view towards formulating a position prior to the scheduled hearing on S. 48, Transportation Improvement Act of 1983.

Personally, however, I believe there could be advantages and cost savings from combining several independent regulatory agencies into one agency or commission. This would appear particularly true in the case of agencies with related or overlapping jurisdiction, such as the ICC and FMC.

A REDUCED BUDGET REQUEST AND FURTHER TRUCK DEREGULATION

Senator Chiles: The Administration has proposed a budget that is $7.5 million and 282 positions below last year's level. Mr. Taylor's statement makes clear these reductions are only possible to the extent additional truck deregulation is enacted into law permitting a further reduction in the agency's workload. The further deregulation sought by the agency relates to
1) exemption authority for motor carriers of freight,
2) establishment of a "fitness only" test for motor carrier licensing, and 3) the combining of Emergency Temporary and Temporary Authority licensing processes under a single application.

For the record, please provide a greater description of the additional deregulation sought by the agency. Please explain why it is sought, the impact such deregulation would have on the industry and the ICC workload currently involved in enforcing these regulations.

Response: As indicated in my testimony, the legislative changes mentioned in your question (broad exemption authority, a "fitness only" licensing test, and combining the ETA and TA processes) are the minimum reforms which would enable the Commission to meet its statutory responsibilities at a level of 1,100 full-time permanent staff-years.

A first cut at legislation providing a "fitness-only" test, and combining the ETA and TA application processes was submitted to Congress by the Commission on February 10, 1982. The rationale for those changes is set forth in that submission, which has been provided to your staff. In my view, an entry standard based on public need is no longer meaningful; yet, it requires an expenditure of more than 100,000 staff-hours of effort by carriers, shippers and the Commission. This is a burden that could be eliminated if a "fitness-only" test were adopted. Elimination of one step in the present three-step (ETA, TA, permanent authority) application process would result in a substantial savings to the carriers, and would allow the Commission to devote slightly fewer resources to processing applications.

We have not reviewed or revised last year's "fitness" proposal, in view of the fact that the Administration's legislation should be forthcoming shortly. In the 1982 bus legislation, however, "fit, willing, and able" was defined as safety fitness and proof of insurance. I anticipate that any new Commission "fitness-only" proposal would be along those lines.

With regard to exemption authority for motor carriers of freight, a similar provision has worked well in the rail area (49 U.S.C. Section 10505), and we believe it is warranted for motor carriers of property. This authority enables the Commission to move toward less regulation, taking into account all the circumstances involved. Further detail is provided in draft legislation which would implement our motor carrier exemption proposal. A copy of that draft has been provided to your staff.

The proposal involving entry may have some impact in reducing unauthorized transportation as an enforcement issue if, in fact, the carriers took advantage of the relaxed entry standards. The ETA and TA process does not generate enforcement now, and the combining of the two-step process would not change that. If the Commission received the exemption authority, enforcement would generally not be applicable in the motor carrier areas the Commission decided to exempt from regulation.

The legislative proposal to grant the Commission broad exemption authority will have the greatest impact on staffing requirements, especially in the long term. Our projections of initial savings from this proposal are based on the belief that given this authority, the Commission will proceed at its own pace to consider deregulation of individual commodities or groups of commodities on a case-by-case basis and will grant exemptions when it is determined to be in the public interest. We estimate that in FY 1984, this proposal would save the Commission 37 staff-years in the Compliance and Consumer Assistance Program and 25 staff-years in the Enforcement Program. The impact of this proposal falls primarily on these programs, because, as the Commission decreases its regulatory jurisdiction through granting of exemptions, compliance and enforcement efforts that would have been devoted to regulating transportation of the particular commodities would be eliminated.

We estimate that the proposals to require a "fitness only" test for licensing and to combine the temporary authority licensing processes (ETA and TA) would save 47 staff-years in the Proceedings Program in FY 1984. Savings appear in this program because both proposals involve streamlining essential elements of the operating authority application process.

We estimate that the combination of the three legislative proposals would allow the Commission to save a total of 109 staff-years if enacted prior to FY 1984.

NEED TO UPDATE FEE SCHEDULES

Senator Chiles: ICC is authorized to assess fees for special services it provides. However, according to GAO, ICC is not recovering full costs of these services and in fact, fees are set at only 50 percent of 1971 costs. In addition, ICC is not charging a fee for 26 services even though, according to ICC, a fee could be assessed for 4 services and 9 services may warrant a fee. Further, ICC has not updated its fees since 1972. In commenting on the GAO report, ICC stated that an agency task force will study ICC's user fees with a view toward updating cost data and possibly including other items in the fee schedule.

The GAO report points out that ICC collected about $10 million in fees but they were based on 50 percent of 1971 costs. How much additional revenue was lost to the Treasury because ICC (a) has not updated its fees schedule since 1971, (b) did not charge for all services, and (c) set fees at 50 percent of the costs of providing services.

Response: It is difficult to project with any degree of accuracy the amount of additional revenue that may have been lost to the Treasury due to the several Commission actions mentioned in this question. In Fiscal Year 1981, for example (the fiscal year reviewed by GAO), we collected approximately $10 million in user fees. According to the GAO report, if fees had been set to recover the full 1971 cost of providing the services, an estimated $10 million in additional fees could have been collected. Whether full cost recovery is warranted for our user fee services provided is a policy question that is being researched by our User Fee Task Force and that will ultimately be decided by the Commission based on the recommendations of the task force.

Senator Chiles: What is the status of the agency task force to study ICC user fees? When will it be completed?

Response: The agency task force to update and appropriately revise our User Fee Schedules has been organized with representation from each of the Commission's Bureaus and Offices. It is divided into two work groups, a Cost Review Group and a Policy Review Group.

The Cost Review Group is in the process of developing a standardized costing approach, based on OMB Circular A-76 costing methodology. As soon as that is accomplished, the Cost Review Group will apply those procedures to all items currently included in the Commission's user fee program. The Cost Group will then apply the same costing procedures to all new fee items recommended for inclusion in the program by the Policy Review Group. We anticipate the entire costing procedure, including appropriate update procedures, will require 9 to 12 months to complete.

The Policy Review Group is looking at the 26 items recommended by GAO for inclusion in the program, as well as other items recommended for study by the task force members. Within the next 60 to 90 days, the group plans to develop a comprehensive list of fee items for consideration by the Commission.

The individual cost analyses of the specified fee items are scheduled for completion by September 1, 1983. This should allow sufficient time for the Commission to consider the results of the study by the end of the current fiscal year.

Senator Chiles: When do you expect to update your user fees?

Response: The present timetable calls for an updated User Fee Schedule to be effective July 1, 1984. The additional 9 months beyond the end of the current fiscal year are needed to handle the necessary rulemaking proceedings required by the Administrative Procedure Act (5 U.S.C. 553). This will provide an adequate comment period for the public.

Senator Chiles: Does ICC expect to recover full costs for the services provided? What would the basis be for not recovering full costs? Why did you set fees at 50 percent of costs?

Response: No decision has been reached by the Commission as to whether user fees will be set at a level necessary to recover the full costs of the services provided. The Commission will make a policy decision on the subject after reviewing the recommendations of the User Fee Task Force. One of the major issues to be addressed will be the benefit to the public at large versus benefits derived by specific groups of individual users. This will be the primary consideration in setting the user fee charges at full cost, or at any level below full cost.

We have no way of knowing exactly why the Commission, as constituted in 1972, set the level of user fees at 50 percent of 1971 costs. We can only surmise that it was an attempt to balance the benefit derived by the general public and the benefit to specific users.

Senator Chiles: For which services has ICC not been charging a fee? Why?

Response: The GAO report contains a list of 26 different services for which no fee is currently charged and for which GAO believes user charges should be assessed. The exclusion of these items from the User Fee Schedule developed over a relatively long period of time. The items excluded relate to such activities as filing tariff and rate schedules, filing various types of petitions, protests and complaints, and various formal and informal proceedings. We can only assume that those items were originally excluded as a result of past policy considerations, involving the level of benefit to the general public and a corresponding lack of perceived benefit to specific user groups.

Senator Chiles: How will ICC ensure that its fees will regularly be updated?

Response: ICC staff will review fees on a regular basis and appropriate changes will be recommended to the Commission when costs have changed significantly.

ENFORCEMENT OF FELONY OFFENSES

Senator Chiles: The Motor Carrier Act of 1980 made "lumping" a felony offense, while the Household Goods Act of 1980 did the same for "weight-bumping." The Director of ICC's Office of Compliance and Consumer Assistance, in his March 18, 1982, memorandum to ICC Regional Directors, pointed to these areas as high priority areas for the balance of Fiscal Year 1982.

With this new authority, what specific enforcement resources, if any, were devoted to these two problems and how were these resources used? What Fiscal Year 1983 resources will be used? How many indictments have resulted from the new authorities? What evidence exists with regard to the degree of "lumping" and "weight-bumping" offenses that continue?

Response: During FY 1982, enforcement resources were devoted to the identification of facilities where lumping was allegedly practiced. A total of 33 investigations on lumping were assigned during that year. This effort consumed roughly six staff-years. Six of the cases developed evidence of lumping and are in or near the litigation stage. No indictments have resulted; however, civil action is contemplated.

As information is received regarding alleged lumping activities in FY 1983, resources will be assigned for enforcement purposes as warranted. Thus far, thirty-nine lumping investigations have been assigned in FY 1983 as a result of past complaints.

In our report to Congress, served March 12, 1982, we said that loading and unloading problems are the exception, not the rule. Problems, however, in specific geographic markets or at individual facilities remain. We have identified many of these, and they are the target of our current enforcement efforts.

No enforcement resources were devoted to weight-bumping during FY 1982. The Household Goods Transportation Act of 1980 was approved on October 15, 1980. New regulations related to that Act became effective February 1, 1982. The Act provided for a price-service option that, for the first time, authorized transportation and related charges to be based upon a binding estimate. This option, when used, eliminates the need for weighing shipments, and, in turn, has resulted in a significant decrease in the number of weight-bumping incidents reported to our staff. Should complaints regarding weight-bumpig resurface, sufficient resources will be devoted to investigate those complaints.

On March 11, 1983, our Office of Compliance and Consumer Assistance initiated a nationwide household goods carrier compliance survey program to provide a valid evaluation of the effectiveness of the new and revised operational regulations adopted under Section 6 of the Act. This program also provides for monitoring of the operations of household goods carriers and will provide valuable information on weight-bumping. Approximately 5 staff-years will be devoted to this activity.

ECONOMIC PICTURE OF THE TRUCKING INDUSTRY

Senator Chiles: GAO in a recent report pointed out that the economy, not regulatory reform, has been the likely cause of high unemployment in the trucking industry.

Do you have any information on the employment picture in the trucking industry? What is the current rate of utilization of the American trucking fleet? Do you concur with GAO that an improvement in the economic condition will improve the employment picture?

Response: As stated in our testimony, we concur with the conclusions reached in the GAO report of June 11, 1982, entitled "Effects of Regulatory Reform on Unemployment in the Trucking Industry." A copy of this report has been provided to your staff. GAO concluded in this report that the economy, not regulatory reform, has been the likely cause of high unemployment in the trucking industry. Consequently, an improvement in the economic condition should improve the employment picture.

The Commission does not collect figures on employment or utilization of the American trucking fleet. In response to such inquiries, we contacted trucking trade associations but found they do not maintain such information.

The Bureau of Labor Statistics, whose figures were used in the GAO Report, reported an average unemployment rate of 10.6 percent for the trucking industry as a whole for 1982, compared to an annual national average unemployment rate of 9.7 percent for 1982. An upturn in the economy, particularly in the manufacturing and construction industries, should help reduce trucking unemployment.

Neither BLS nor trucking trade associations could provide any information on the current utilization of capacity in the trucking industry. This is due to the migratory nature of the industry itself, which, unlike the rail industry (for which figures are maintained), makes it virtually impossible to track.

It cannot necessarily be concluded, however, that excess capacity is directly related to unemployment, because trucks and equipment can be easily bought and sold among firms entering and exiting the markets. Moreover, the size of the truck fleet decreased about 14 percent between 1980 and 1982.

The Motor Carrier Act includes a number of provisions to allow for the most productive use of carriers' equipment in order to achieve greater utilization of capacity. Carriers of all types are allowed to reduce empty backhauls and provisions exist for restriction removal. Carriers also are allowed to mix loads of regulated and exempt commodities or loads of commodities transported under different types of operating authority.

HOUSEHOLD GOODS

Senator Chiles: The Motor Carrier and Household Goods Transportation Acts of 1980 have made significant changes to the way the interstate moving industry operates.

How does ICC view its regulatory role under the new reform legislation? Does ICC believe it needs to monitor the changes occurring in the industry? If so, how is ICC doing that? What is the level of complaints resulting from the movement of household goods? How has it changed since the legislation?

Response: The Commission views its regulatory role as a continuing one under the amended regulatory philosophy resulting from the reform legislation. Relaxed entry requirements, the introduction and fostering of price and service options, as well as the increased authority over household goods agents have created, of necessity, a revised approach to the industry. Supervision and enforcement policies have been amended in keeping with this change.

The changes in the industry are being monitored through our complaint system, compliance surveys, and specialized studies. We view these efforts as being required in the public interest. In 1979, 24,609 complaints were made against the household goods carriers. In 1980, this total had dropped to 18,942. In 1981, there was a further reduction to 10,969; and, in 1982, the number declined even further to 5,272. This represents a 74 percent reduction over the four-year period.

Throughout the 1970's, complaints against household goods carriers represented 40 to 45 percent of all complaints received. In 1981, the percentage dropped dramatically to 29.72 percent of all complaints received.

Senator Chiles: Many large household goods carriers are offering binding estimates and their use is expected to increase. Have any problems arisen as a result of using binding estimates? Are binding estimates being used by carriers as a means to raise or lower rates based on competition? Is this an acceptable use of binding estimates? Has ICC received many complaints from shippers regarding binding estimates? Carriers are not required to weigh binding estimate shipments. Without such information, ICC cannot determine the amount shippers are charged above or below actual weight charges. Does ICC have a way to check on the reasonableness of binding estimates?

Response: Binding estimates are being offered by all major and most of the smaller carriers. The use of such estimates is expanding but, as yet, only one major carrier is using binding estimates as its primary marketing and pricing tactic.

A staff study in 1982 revealed some shipper confusion as to the distinction between binding and non-binding estimates. Many shippers still have the incorrect perception that a non-binding estimate represents a final, firm price. Many carriers provide in their tariffs for re-estimating if goods are added to the shipment or if additional services are requested or required. Some tariffs also exclude from the binding estimate the destination services necessary for delivery. These problems appear to be resolvable by increased consumer awareness.

The existing confusion, however, makes it difficult to categorize complaints as being related to binding estimates. Many times, in researching the complaint, it has been determined that no binding estimate was involved.

In a staff study during the last six months of 1981, which involved experiences of the five largest carriers of household goods, it was determined that four of the carriers were receiving substantially reduced revenues as a result of their use of binding estimates, whereas the other was realizing a slight increase. This study also resulted in comparative information on median revenues per item transported, under both the binding estimate and the non-binding estimate pricing systems. This approach, updated as needed, can serve as a method of checking on the reasonableness of any binding estimate.

Senator Chiles: Since passage of the Household Goods Transportation Act of 1980, several new service options have been provided, namely guaranteed pickup and delivery, full value protection and dispute settlement programs. Has ICC evaluated the extent these options are being used and what effect they have had on consumers?

Response: The Commission has been able to evaluate, through the use of complaints received and Moving Service Questionnaires (which have been submitted to us by shippers subsequent to their moves), reaction to the innovations which have taken place in the transportation of household goods.

The declining number of complaints is believed to be influenced by the availability of the many price and service options. Consumers are better able to negotiate with the carriers to obtain a service tailored to their particular needs.

The Moving Service Questionnaires received indicate that price and service innovations have had little impact on the number of moves, since shippers seldom have discretion as to if, when, or where they move. They do, however, give precedence to price certainty and their perceptions of a carrier's ability to provide the services they require in making the selection of a carrier to perform their move.

Senator Chiles: To date, what use has been made of the dispute settlement programs of the carriers? What does ICC believe the reasons are for the shippers not using the Dispute Settlement Program?

Response: Since the passage of the Household Goods Transportation Act of 1980, the Commission has received and approved two applications for dispute settlement programs, i.e., Mover's & Warehousemen's Association of America and, American Mover's Conference. Twenty-five carriers participate in the first program and 43 carriers participate in the second. Since the implementation of both programs on February 1, 1982, one case has been submitted to the first program and is still pending. Under the second program, 72 requests for arbitration have been made. Out of the 72 requests, 10 cases have actually been submitted, five of which have been settled. The other 62 requests for arbitration did not go through the process, since the carriers revised their positions of liability to the satisfaction of the consumer.

There is no concrete data available to show why there is not greater utilization of the existing arbitration programs. There are, however, several factors which shed light on this question.

First, with the soft economy and the competitive atmosphere that has prevailed since passage of the Act in 1980, household goods carriers have been striving to attain consumer satisfaction as a primary selling point. For this reason, carriers say they are making a greater effort to resolve cargo loss and damage claims, as well as other claims to the satisfaction of the customer.

Second, since passage of the Act, many carriers, including most major carriers, offer "replacement" protection. Prior to the Act, the maximum legal liability of a mover was the "depreciated" value of goods lost or damaged, which was not understood by the majority of the shippers and thus led to many disputes.

Third, the limitations in both dispute settlement programs prevent arbitration of many cases. Both programs are strictly for the arbitration of loss of and damage caused to household goods and have a maximum monetary restriction. As such, catastrophic loss and damage (total destruction of all goods), inconvenience claims, overcharge claims, property damage claims, and service claims, as well as claims seeking punitive damage, cannot be submitted to either program. Additionally, shippers who have a loss and damage claim as well as a claim restricted under the dispute settlement program, such as an inconvenience claim, may be reluctant to choose arbitration, so as not to separate the loss and damage claim from the other type of claim.

In addition, shippers may suspect that the mover, as a participant or sponsor of the program, possesses an "inside advantage" in the outcome of the dispute settlement.

Senator Chiles: Many household goods carriers were concerned with ICC's revised operating regulations. Several major carriers and industry associations filed suit contending that the new regulations did not meet the mandates of the Household Goods Transportation Act to reduce regulation and minimize the paperwork burden for the industry. The Court agreed with ICC and stated that the industry did not provide sufficient tangible evidence of increased paperwork resulting from the new regulations.

Section 5 of the Household Goods Transportation Act of 1980 authorized ICC to take direct action against an agent of a carrier who has been involved in fraudulent practices or been consistently unfit. Under this section, household goods carriers are still responsible for all acts of their agents related to services performed for the carrier. ICC, in an October 16, 1980, policy statement, stated that it expects carriers to engage in self-regulation of their agents.

What specific action has ICC taken (or planned) to implement this section of the Household Goods Transportation Act of 1980? For example, has ICC begun to review the carriers' systems to monitor their agents? Has ICC issued any complaints against fraudulent or unfit agents?

Response: The Commission field staff are now engaged in conducting an industry-wide survey of household goods carriers. This survey, which will evaluate the effectiveness of the new regulations, as established under the Household Goods Transportation Act of 1980, is scheduled for completion during the last quarter of FY 1983.

One important objective of the study will be to analyze carrier practices used in monitoring the actions of the approximately 8,000 agents employed by the interstate household goods industry.

In accordance with the Commission's October 16, 1980, policy statement, we will use the survey data, combined with complaint records, to identify agents who may be consistently creating problems for the shipping public. In the event the involved agent or the principal carrier fails to correct unlawful practices, they will then be dealt with under the Section 5 provisions. To date we have had no occasion to issue a formal complaint against a fraudulent or unfit agent.

SUBCOMMITTEE RECESS

Senator BYRD. The subcommittee will stand in recess until 10 tomorrow morning, at which time we will hear testimony from the Civil Aeronautics Board.

[Whereupon, at 11:30 a.m, Tuesday, March 15, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 16.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 16, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

CIVIL AERONAUTICS BOARD

STATEMENT OF DAN McKINNON, CHAIRMAN

ACCOMPANIED BY:
- GLORIA SCHAFFER, MEMBER, CIVIL AERONAUTICS BOARD
- MICHAEL SHERWIN, MANAGING DIRECTOR
- JOSEPH KULL, DEPUTY COMPTROLLER
- DAN KASPER, DIRECTOR, BUREAU OF INTERNATIONAL AVIATION
- JOHN COLEMAN, DIRECTOR, BUREAU OF DOMESTIC AVIATION
- DAN KAPLAN, DIRECTOR, OFFICE OF ECONOMIC ANALYSIS
- JOHN GOLDEN, DIRECTOR, OFFICE OF CONGRESSIONAL, COMMUNITY, AND CONSUMER AFFAIRS
- IVARS MELLUPS, ACTING GENERAL COUNSEL

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Mr. Chairman, good to have you here, and the members of the CAB. My apologies for being late. The wonderful Hart Office Building foiled my travel plans again. You could stand there and wait for 10 minutes for an elevator to come. It's almost, Dan, as though you are running the elevators at Hart. [Laughter.]

And since you are the closest one at hand, we will blame you for it this morning. But I guess they have four or five down in a bank of six. That makes for limited travel.

As you know, we will go by the usual ground rules. If you have a prepared statement, we'll have it in the record as though you have uttered every word of it. You can summarize, whatever you feel best, and then we can get toward the questions.

INTRODUCTION OF ASSOCIATES

Mr. McKINNON. Yes, sir. I would like to start off by recognizing the members of the Civil Aeronautics Board who are here. Sitting to my left is Mrs. Gloria Schaffer. We also have in the audience Ms. Betsy Bailey and member Jim Smith.

Senator ANDREWS. How come you do not let Betsy come to the table?

Mr. McKINNON. Well, she got to sit with me at one of the other hearings, and you know, when you have fine women on your Board you want to be sure you give equal opportunities. She did a fine job over on the House side, and Gloria is going to join us on the Senate side.

Senator ANDREWS. Good.

BUDGET REQUEST

Mr. McKINNON. Following your instructions, I will submit my opening statement for the record, but I would like to summarize, Senator, some of our budget needs and concerns so that you can know firsthand what they are.

In our 1984 request, we are asking for $20,890,000 for salaries and expenses and we are estimating $50,800,000 for payments to air carriers, for a total of $71,690,000.

I would like to emphasize several things. Congress passed a pay increase that cost the Civil Aeronautics Board $1.4 million. We figure we need a supplemental appropriation to cover $700,000 of that, roughly half of the total cost. That is a critical need for our operation.

In addition, we are going to need every nickel and dime of the budget we are requesting. Last year, because of the extreme cuts in our budget, we skipped 1 year in our phaseout program, and we are down to where we need every nickel of the budget. We need the $700,000 supplemental, and we need to maintain an attrition rate of at least six people a month.

We have to drop 130 people—in addition to the 122 we lost last year—or a reduction of roughly 25 percent of our existing staff, and we have not lost any of our functions in the process. The functions we are performing today will be the same functions we will continue to do until we go out of business at the end of 1984 and merge primarily into the Department of Transportation. So we have a declining budget and the same responsibilities.

If we do not get the kind of budget we are requesting, Mr. Chairman, I have grave concern that we will get into furloughs and RIF's. I think there is no question about it, and if we do that, the amount of money that we would save through budget cuts over what we are requesting could come to be very expensive in the area of payments to air carriers. We have qualified people now in the essential air service program and if we, through RIF's, get 50 percent new people, they will not be knowledgeable about exercising and operating the essential air service program. It could end up costing millions of dollars more.

Just to summarize, we need the total $20,890,000 in salaries and expenses, we need the $700,000 supplemental, and we need an attrition rate of six people a month between now and the end of fiscal year 1984.

Senator ANDREWS. Thank you, Mr. Chairman. We have your prepared statement and it will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF DAN MCKINNON

GOOD MORNING CHAIRMAN ANDREWS AND MEMBERS OF THE SUBCOMMITTEE. I APPRECIATE THE OPPORTUNITY TO DISCUSS THE CIVIL AERONAUTICS BOARD'S 1984 BUDGET. I WOULD LIKE TO SHARE A FEW BRIEF COMMENTS WITH YOU AND THEN I WOULD BE GLAD TO ANSWER ANY QUESTIONS YOU HAVE REGARDING THE BOARD'S BUDGET AND PROGRAMS.

OUR REQUEST TOTALS $71.7 MILLION — $50.8 MILLION FOR PAYMENTS TO AIR CARRIERS (PAC) AND $20.9 MILLION FOR SALARIES AND EXPENSES (S & E).

THE $50.8 MILLION PAYMENTS TO AIR CARRIERS REQUEST IS A $2.4 MILLION INCREASE OVER 1983. HOWEVER, IT REPRESENTS A $43.5 MILLION REDUCTION FROM FY 1982, THE LAST YEAR OF A FULLY OPERATIONAL SECTION 406 PROGRAM. THE $2.4 MILLION INCREASE FOR FY 1984 RESULTS PRIMARILY FROM INFLATION. WE BELIEVE THE $50.8 MILLION IS SUFFICIENT TO FUND A MATURE SECTION 419 SUBSIDY PROGRAM FOR ESSENTIAL AIR SERVICE TO APPROXIMATELY 120 POINTS IN THE CONTINENTAL UNITED STATES, AS WELL AS THOSE ALASKAN COMMUNITIES THAT REQUIRE SUBSIDIZED SERVICE.

WE HAVE NOT REQUESTED FUNDS FOR SPECIAL OR SECTION 406 SUBSIDY. NOR HAVE WE REQUESTED FUNDS FOR THE SPECIAL PROVISION IN OUR 1983 APPROPRIATIONS BILL REQUIRING INTEREST PAYMENTS IN CERTAIN SUBSIDY CASES SINCE THE ADMINISTRATION RECOMMENDS REPEAL OF THAT PROVISION.

OUR $20.9 MILLION REQUEST FOR SALARIES AND EXPENSES IN 1984, ALMOST

$3.0 MILLION LESS THAN 1983, ASSUMES THAT WE CAN ONCE AGAIN ACHIEVE SHARP REDUCTIONS IN PERSONNEL.

WHEN WE REACH OUR 366 POSITION TARGET AT THE END OF FISCAL YEAR 1984, WE WILL HAVE REDUCED THE STAFFING OF THE BOARD 433 POSITIONS OR 54 PERCENT SINCE PASSAGE OF THE AIRLINE DEREGULATION ACT. AT THIS LEVEL WE SHOULD BE AT THE CORE OF PEOPLE, EXCLUDING MEMBERS AND THEIR STAFFS, THAT TRANSFER TO OTHER AGENCIES WITH THE CONTINUING FUNCTIONS.

WE INTEND TO MANAGE THIS REDUCTION AS WE HAVE DONE SUCCESSFULLY SINCE 1979 BY RELYING HEAVILY ON OUTPLACEMENT, RETIREMENTS AND OTHER NORMAL ATTRITION. HOWEVER, THIS APPROACH IS BECOMING INCREASINGLY DIFFICULT TO MAINTAIN.

IF WE DO NOT ACHIEVE THE ATTRITION RATE ANTICIPATED IN OUR BUDGET PLAN, WE MAY HAVE TO REQUEST A SUPPLEMENTAL APPROPRIATION TO PREVENT REDUCTIONS-IN-FORCE AND THE SUBSEQUENT BUMPING AND RETREATING WHICH COULD DECIMATE BOARD PROGRAMS SUCH AS INTERNATIONAL AVIATION, ESSENTIAL AIR SERVICE, ANTITRUST, REGULATORY INFORMATION, AND CONSUMER PROTECTION, AND PRECLUDE A SMOOTH TRANSFER TO OTHER AGENCIES OF FUNCTIONS NOT SUNSETTED.

FURTHER CUTS FROM OUR ALREADY REDUCED 1984 S & E REQUEST WOULD ALL BUT DESTROY OUR ABILITY TO CARRY OUT MANDATED PROGRAMS.

I WOULD LIKE TO POINT OUT THAT THE PRESIDENT's BUDGET ALSO INCLUDES

A $700,000 SUPPLEMENTAL REQUEST FOR THE BOARD IN FY 1983 TO COVER LEGISLATED PAY INCREASES. THE REQUESTED AMOUNT REPRESENTS ONLY ONE-HALF OF THE $1,400,000 COST OF THE PAY RAISE.

OUR LATEST PROJECTIONS SHOW THAT WE WILL JUST BREAK EVEN IN FY 1983 IF TWO EVENTS OCCUR. THEY ARE: (1) WE RECEIVE THE ENTIRE $700,000 SUPPLEMENTAL; AND (2) WE CONTINUE TO EXPERIENCE AN ATTRITION RATE OF SIX EMPLOYEES A MONTH BETWEEN NOW AND THE END OF FY 1983. AS YOU CAN SEE, BOTH OF THESE IMPORTANT CONDITIONS ARE BEYOND OUR DIRECT MANAGEMENT CONTROL.

DURING THIS PAST YEAR, I HAVE DESCRIBED TO YOU THE IMPORTANT WORK THAT WE HAD TO DO, WORK THAT HAS BEEN MANDATED BY CONGRESS.

THE MAJOR CHANGE SINCE THEN IS THAT WE NOW HAVE 122 OR 25 PERCENT FEWER EMPLOYEES TO HANDLE THE WORKLOAD.

IN THE INTERNATIONAL AREA, THE CAB IS RESPONSIBLE NOT ONLY FOR NEGOTIATING AND CONSULTING WITH FOREIGN GOVERNMENTS, BUT IS THE UNITED STATES AGENCY, ACTING AS AN ARM OF CONGRESS, THAT IS RESPONSIBLE FOR CARRYING OUT INTERNATIONAL AVIATION POLICY.

WE ANTICIPATE A HEAVY SCHEDULE OF NEGOTIATIONS FOR 1983 AND 1984 WITH A FOCUS ON THOSE LATIN AMERICAN, MIDDLE EASTERN, AND FAR EASTERN GOVERNMENTS THAT PRACTICE RESTRICTIVE POLICIES.

BEYOND THIS HEAVY AGENDA, WE WILL CARRY OUT OUR INTERNATIONAL AVIATION RESPONSIBILITIES BY:

- EXERCISING RETALIATORY POWER TO OPPOSE DISCRIMINATORY AND UNFAIR COMPETITIVE PRACTICES OF FOREIGN GOVERNMENTS OR CARRIERS AGAINST U.S. CARRIERS,
- LICENSING U.S. AND FOREIGN CARRIERS THAT PROVIDE SERVICES TO AND FROM THE UNITED STATES,
- SELECTING U.S. CITIES AND CARRIERS FOR INTERNATIONAL SERVICES,
- COLLECTING AND PROCESSING INFORMATION TO SUPPORT NEGOTIATIONS AND REGULATORY FUNCTIONS,
- OVERSEEING PASSENGER FARES AND CARGO RATES,
- ISSUING AND ENFORCING CONSUMER PROTECTION RULES, AND
- REVIEWING AND APPROVING AGREEMENTS AND OTHER ANTITRUST MATTERS.

TURNING TO DOMESTIC AVIATION MATTERS, WE CONTINUE TO TAKE GREAT PRIDE IN NURTURING OUR SMALL COMMUNITIES—OR ESSENTIAL AIR SERVICE—PROGRAM FROM ITS LEGISLATIVE CONCEPT TO A MATURING PROGRAM. THIS ENABLED CONGRESS TO PUT AN END TO THE COSTLY 406 PROGRAM WHILE PRESERVING THE SMALL COMMUNITIES' LINK TO THE DOMESTIC NETWORK.

THE PAST YEAR WAS CHARACTERIZED BY PERSISTENT EFFORTS TO SECURE SLOTS FOR EAS CARRIERS AND A CONTINUING TRANSITION FROM 406 SUBSIDY TO THE LESS COSTLY 419 SUBSIDY. OUR TASK NOW IS TO COMPLETE THE 419

SUBSIDY CHANGEOVER IN ALASKA AND THE CONTINENTAL UNITED STATES, AND TO REVIEW AGAIN THE ORIGINAL EAS DETERMINATIONS AS REQUIRED BY THE AIRLINE DEREGULATION ACT.

WE MUST PERFORM OUR WORK SO THAT WE MAINTAIN PROGRAM EFFECTIVENESS FOR THE MAXIMUM EFFICIENCY OF THE $50.8 MILLION WE ARE ASKING FOR IN 419 SUBSIDY. THIS WORK INCLUDES:

- DEVELOPING AND REVIEWING EAS GUIDELINES,
- PROCESSING NOTICES TO SUSPEND, TERMINATE OR REDUCE AIR SERVICE,
- COLLECTING AND PROCESSING INFORMATION FOR FITNESS, OPERATIONS AND SUBSIDY NEED,
- ESTABLISHING SUBSIDY RATES,
- SELECTING REPLACEMENT CARRIERS,
- DETERMINING THE FITNESS OF COMMUTER CARRIERS
- CONTINUING TO RESPOND TO AIR SERVICE ISSUES RAISED BY CONGRESS, COMMUNITIES AND CARRIERS, AND
- AUDITING AND PAYING SUBSIDY CLAIMS.

AN INCREASING AND IMPORTANT PART OF OUR WORK WILL BE FULFILLING OUR RESPONSIBILITIES UNDER THE EMPLOYEE PROTECTION PROGRAM. LAST YEAR WE COMPLETED THE FIRST PHASE OF 13 EPP CASES THAT WERE FILED, AND WE DETERMINED THAT 9 OF THE 13 EXPERIENCED MAJOR CONTRACTIONS IN EMPLOYMENT--THAT IS, THEY EXPERIENCED REDUCTIONS OF AT LEAST 7 1/2

PERCENT IN THEIR EMPLOYMENT. OUR NEXT STEP, WHICH IS FAR MORE COMPLEX, IS TO DETERMINE WHETHER ANY OF THE MAJOR CONTRACTIONS WERE "QUALIFYING DISLOCATIONS," THAT IS, WHETHER THEY WERE CAUSED BY DEREGULATION. OUR STAFF HAS GIVEN US A PRELIMINARY RECOMMENDATION ON HOW TO PROCEED WITH THOSE CASES. WE WILL BE DELIBERATING ON THE STAFF'S RECOMMENDATION VERY SHORTLY.

WE ARE ALSO RESHAPING OUR INFORMATION SYSTEMS, PREPARING FOR AN ORDERLY TRANSFER TO THE DEPARTMENT OF TRANSPORTATION AT SUNSET. TO THIS END, WE REEVALUATED OUR DATA NEEDS, AND SIGNIFICANTLY REDUCED INDUSTRY REPORTING REQUIREMENTS AND THE COLLECTION EXPENSES TO BOTH THE GOVERNMENT AND THE CARRIERS. IN 1983 AND 1984, WE WILL ISSUE RULES THAT FURTHER REDUCE CAB DATA, CUTTING IN HALF THE CARRIERS' REPORTING BURDEN SINCE THE PASSAGE OF THE AIRLINE DEREGULATION ACT.

WE HAVE CONTINUING RESPONSIBILITIES IN THE COMPLIANCE AND CONSUMER AFFAIRS PROGRAM, ESPECIALLY AS THEY RELATE TO THE ESSENTIAL AIR SERVICE AND INTERNATIONAL AVIATION PROGRAMS. ALSO, WE HAVE RECENTLY INTENSIFIED THE ENFORCEMENT OF CHARTER ESCROW RULES AS EVIDENCED BY THE LARGEST PENALTY—$60,000—ASSESSED A TOUR OPERATOR, AND A POSSIBLE $500,000 ADMINISTRATIVE ENFORCEMENT ACTION AGAINST A CHARTER ESCROW BANK.

FURTHER, WE HAVE CONCENTRATED DURING THE LAST FEW YEARS ON INSTRUCTING TRAVELERS IN WAYS TO RESOLVE DISPUTES DIRECTLY WITH

CARRIERS, AND DEVELOPING NEW RULES THAT ARE MORE IN KEEPING WITH A DEREGULATED ENVIRONMENT. WHILE WE BELIEVE THIS APPROACH HAS PRODUCED A SMOOTH TRANSITION AWAY FROM GOVERNMENT OVERSIGHT, THE TRUE TEST FOR CONSUMERS AND CARRIERS COMES NOW THAT DOMESTIC ROUTE AND FARE REGULATION HAS BEEN ABOLISHED.

WE WILL ALSO HAVE CONTINUING RESPONSIBILITIES IN ANTITRUST MATTERS RELATED TO DOMESTIC AND INTERNATIONAL AVIATION. DOMESTIC MERGER AND INTERLOCK RESPONSIBILITIES HAVE BEEN EXTENDED BY STATUTE, AND WILL REMAIN AT THE BOARD UNTIL JANUARY 1, 1985, WHEN THEY TRANSFER TO JUSTICE WITH OTHER ANTITRUST FUNCTIONS.

OF PARTICULAR CONCERN WILL BE THE NEW AND ADDITIONAL RESPONSIBILITIES THAT CONGRESS GAVE THE BOARD RECENTLY TO STUDY AND REPORT ON THE COMPETITIVE ASPECTS OF AIRPORT ACCESS AND COMPUTER RESERVATION SYSTEMS LEASED TO TRAVEL AGENTS BY THE AIRLINES.

WE WILL CONTINUE TO REVIEW EXISTING AGREEMENTS INCLUDING THOSE THAT MAY BE AFFECTED BY THE BOARD'S FINAL DECISION ON THE COMPETITIVE MARKETING INVESTIGATION. WE WILL ALSO EXAMINE ROUTE LEASES, INTERNATIONAL AIR TRANSPORTATION ASSOCIATION AND EUROPEAN CIVIL AVIATION CONFERENCE AGREEMENTS, SCHEDULING COMMITTEES AND OTHER COOPERATIVE ARRANGEMENTS GENERATED BY A CHANGING ECONOMIC AND OPERATING ENVIRONMENT.

AS YOU CAN SEE, THIS IS A PRETTY FULL AGENDA FOR ANY AGENCY, LET

ALONE ONE THAT IS DECLINING IN RESOURCES. THE IRONY IS THAT THE BOARD CONTINUES TO HAVE THE RESPONSIBILITIES OF A "GOING-CONCERN" AGENCY WHILE RECEIVING THE RESOURCES OF A "SUNSETTING" ONE.

FOR EXAMPLE, IN ADDITION TO THE 122 EMPLOYEES WE LOST IN THE PAST YEAR, WE MUST DROP ANOTHER 130 PEOPLE FROM OUR CURRENT LEVEL—OVER 25 PERCENT OF OUR EXISTING STAFF. AND WE MUST DO THIS DURING A PERIOD WHEN THERE ARE NO CORRESPONDING REDUCTIONS IN OUR STATUTORY POWERS AND PROGRAM RESPONSIBILITIES AS I HAVE JUST SUMMARIZED.

UP TO THIS POINT, WE HAVE BEEN ABLE TO MAKE REDUCTIONS THAT TRACKED WITH AND WENT FAR BEYOND THE TERMINATION OF THE BOARD'S DOMESTIC ROUTE AND RATE AUTHORITY WITHOUT COMPROMISING PROGRAM EFFECTIVENESS.

BUT FURTHER REDUCTIONS MEAN THAT WE MAY NOT BE ABLE TO HANDLE ALL THE WORK THAT COMES OUR WAY. THIS WILL REQUIRE US TO MAKE SOME DIFFICULT CHOICES, AND PERHAPS DEPART FROM NORMAL PROCEDURES, BOTH OF WHICH COULD DISAPPOINT AND FRUSTRATE SOME MEMBERS OF CONGRESS, AIRLINE MANAGERS, COMMUNITIES, AND CONSUMERS.

PRIOR TO LAST YEAR'S CONGRESSIONAL REDUCTION OF THE BOARD'S 1983 BUDGET, I SPELLED OUT TO YOU, MR. CHAIRMAN, AND OTHER MEMBERS OF THIS SUBCOMMITTEE, WHAT SOME OF THESE TOUGH CHOICES WOULD BE IF THE FULL CUT WAS APPROVED AS RECOMMENDED BY THE SENATE. LET ME REPEAT:

o CLOSING SOME COMMUNITY ASSISTANCE FIELD OFFICES,

- DELAYS IN SUBSIDY RATE DETERMINATIONS AND SUBSIDY PAYMENTS,
- INTERMITTENT PARTICIPATION IN INTERNATIONAL NEGOTIATIONS,
- DELAYS IN HANDLING THE INTERNATIONAL ROUTE AND FARE WORK, WHICH ARE THE GUTS OF OUR INTERNATIONAL AVIATION POLICY, AND
- FURTHER DELAYS IN PROCESSING THE LONG OVERDUE EMPLOYEE PROTECTION CASES.

THIS IS JUST A PARTIAL LIST OF THE MANY ACTIONS WE WOULD HAVE TO CONSIDER IF OUR ALREADY REDUCED FY 1984 FUNDING REQUEST WAS ALSO CUT AGAIN. EACH ACTION WOULD ADVERSELY AFFECT SOME ASPECT OF A TRANSFERRING FUNCTION.

WE HAVE A GREAT STAFF. THEY ARE ALL WORKING VERY HARD AND IN SOME INSTANCES, EMPLOYEES ARE WEARING MORE THAN ONE HAT. FROM EVERYTHING I HEAR, THE PUBLIC AND CONGRESS GENERALLY ARE SATISFIED WITH THE STAFF'S PERFORMANCE.

I ASSURE YOU THAT PROGRAM EFFECTIVENESS REMAINS THE BOARD'S NUMBER ONE BUDGET PRIORITY. WE INTEND TO KEEP TO A MINIMUM ANY DISRUPTIONS IN OUR SMALL COMMUNITIES AIR SERVICE PROGRAM, INTERNATIONAL AVIATION, AND OTHER TRANSFERRING PROGRAMS.

THAT IS WHY WE URGE YOU TO APPROVE THE ENTIRE $700,000 SUPPLEMENTAL FOR FY 1983 AND THE ENTIRE $20.9 MILLION FOR FY 1984.

THIS CONCLUDES MY STATEMENT. I'LL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.

CURRENT LEVELS OF FARES AND SERVICES

Senator ANDREWS. In examining the budget, of course, we have to go through what the Board is doing to justify the level of funding that may or may not be necessary, and as the subcommittee understands it the Board's regulatory system originally was developed to protect and nurture the airline industry in its infancy.

Judgments about the extent to which competition served the public interest were left to the Government, rather than the marketplace. Since questions of competition were resolved by the regulator, it was thought the Board should have the discretion to exempt carriers from antitrust laws. As the airline industry reached maturity, as you know, Mr. Chairman, the Board reassessed its policies and concluded that the greatest public benefits would be derived by changing from a system of Federal regulation to a system that places primary reliance on the natural forces of the marketplace and on competition, including the threat of entry.

Before enactment of the Airline Deregulation Act of 1978, the CAB would measure the proposed fares against a strict formula based on industry costs. Most of the time, if that proposal deviated from the formula the fare was not allowed. For the past several years the Board has given airlines increasing freedom to set their fares within broad zones of flexibility.

As of 3 months ago, airlines no longer have to file with the Board for approval of proposed fares. The basis for deregulating fares and entry was that the impact of both actual and potential competition on carrier performance would insure service and fares that reflect the actual costs—let me reiterate that: that reflect the actual costs—and demand in individual markets.

Just over 1 year ago, February 16, 1982, you made a speech, Mr. Chairman, before the International Aviation Club wherein you noted that if fares are unrealistically low, then in the short run, while many people can travel economically, in the long run the system would be destroyed. Your point was that fares need to be realistic, need to cover the cost plus profit for the airlines, which allows the purchase of new equipment and the provision of adequate service and safety.

Now, in view of the Board's actions during the past year and the current state of affairs, Mr. Chairman, how would you characterize the current level of fares and service?

Mr. MCKINNON. Well, I would characterize them as the marketplace sorting out and letting the people who run the airlines determine how best and most efficiently to run the airlines. As I pointed out in that talk, they do need to charge what it costs them to operate.

Unfortunately, we are also in a recession at this time, which makes it difficult because a lot of people are not flying who might be flying in normal times. This creates an overcapacity problem, which causes a problem for the airlines.

Senator ANDREWS. Have you been at an airport lately, Mr. McKinnon?

Mr. McKinnon. Yes, sir.

Senator Andrews. Have you tried to get a car through that jungle that leads to what we call National Airport, or have you tried to walk down any of the corridors at O'Hare? And you say that the system is being underutilized?

Mr. McKinnon. Well, it depends on the time of day you are flying, Senator. If you are flying at the peak prime times, it is tough, and there are some congestion problems at National. I think we are all aware of that. But there are other times when those airports are mighty vacant, too, and these load factors are based upon averages of the total system operation and not just one particular flight.

EFFECTS OF DEREGULATION ON TRAVELING PUBLIC

Senator Andrews. Well, let me point out some of the statistics, Mr. Chairman. For the 11 months ending November 1982, while we were in the depths of this so-called recession—and you are not the first witness that has used the recession as the excuse for why things are not going right—as I understand it, the major airlines and the short haul airlines which account for over 95 percent of scheduled revenue passenger miles had an operating loss of $465 million, compared with a $218 million loss a year earlier.

Certainly they are moving lockstep in a definitive direction. But these are the statistics that are interesting, Mr. Chairman, in view of what you said. Traffic was up almost 3 percent over the prior year, and the average load factor improved, as capacity increased only slightly. So we have traffic up, we have load factor improvements, and the deficit is running from $218 million to $465 million.

Total operating revenues dropped over $300 million, so we pretty well know what deregulation meant to the airlines. It is simply a case of yield dilution as carriers have had to resort to below-cost discounting to lure passengers.

But what about the traveling public? You know, I am not going to sit here and bleed for the airlines. They can take care of themselves. As you say, they are free, they are free to operate. What, Mr. Chairman, in your opinion has deregulation done as far as serving the traveling public?

Mr. McKinnon. I think deregulation is working and it is working to serve their best interests. Competition is going to force the airlines to serve the public in the best way possible, because by serving the public they are going to have the most passengers and make the most of the opportunity to have the highest revenue.

You had somewhat of a philosophical discussion in the earlier part of your question. If you would like to get into that, our key economist at the CAB, Dan Kaplan, is here and he would be able to share some of that philosophical discussion with you.

AIRLINE LOSSES UNDER DEREGULATION

Senator ANDREWS. Well, I am more than happy to get into the philosophy of the thing or whatever else you and your Board members and your experts would want to do. But looking at the speech you made some time ago and looking at the fact that deficits have gone from $200 million to $400-plus million—you know, even we poor country cousins can sense that something is going wrong in the airline industry, and we are dealing, this subcommittee is dealing, with an agency that spends some $20 million to try to make things work a little bit better.

Of course, while it is fair to say that the advantages and disadvantages of airline deregulation are not yet widely agreed upon, you seem to think it is a wonderful thing and it is working fine. Let me say, I think it is the most idiotic vote I ever cast. And Senator Byrd, who was here yesterday talking on another subject, agreed.

Some of us have seen enough of what is going on to be concerned, if I might put it that way. On some routes, Mr. Chairman, consumers now pay less than they would have under regulation, while on other routes they pay much more. New regional airlines have emerged, yet many U.S. communities complain of declining air service.

North Dakota had seven cities served by major airlines before deregulation. We now have four. Consumers on cross-country flights now have a better chance of finding discounts, but constantly changing rates and conditions often make it difficult to find the best deal. If you have a friendly travel agent and you happen to be going in the right direction, maybe you can save one-half off your ticket. For a given flight between two cities, we are told there may be as many as 50 different fares available.

Layoffs and bankruptcies are at a level never imagined prior to deregulation. We lost in the bankruptcy of Braniff some of the finest trained people in the airline industry—pilots, attendants, mechanics. We have a couple of other airlines who are close to it.

A number of things are causing all of this. Our airlines fly overseas, they land at Heathrow, they are charged $11,000 for landing. The British must think that is a fair rate, because they charge it. But when a British plane comes flying into our country it is charged what, $1,000 to land or $700 if they go to Miami?

Why are you continuing to accelerate this deregulation process? I understand the international landing fees are not part of the deregulation process, but why do we continue to give lip service to how well the thing is working, while the impact of airline deregulation is still at best questionable and unclear, and at worst is an unmitigated disaster?

Where is the spokesperson for some sensibility? Where is the strong voice out of CAB? What are you doing to provide adequate air service for the traveling public over the long run?

Mr. MCKINNON. Senator, I have a couple of answers to that question.

Senator ANDREWS. I felt you would have, Mr. Chairman.

EFFECTS OF ECONOMY ON AIRLINES

Mr. McKinnon. No. 1, our responsibilities under the law no longer have us in control of anything in the industry addressed to domestic routes or rates. But I would like to share a few facts.

We also share your deep concern. I know you are deeply troubled about what happens in North Dakota and you have an intense interest in everything that affects your State.

I would like to point out that costs in the airline industry have gone up 80 percent, the CPI has gone up 55 percent, but the fares have only gone up 54 percent. And you talk about losses. In this last year in the United States, it is my understanding there were 50,000 bankruptcies, chapter XI and chapter VII. The economy does have an effect and an impact.

As far as deregulation goes, I might share with you that in the IATA, which are highly regulated airlines mostly in Europe, they lost $2 billion in 1982. In 1983, they are expected to lose $2.3 billion, and they are projecting $1.4 billion in losses for 1984. So whether you are regulated or deregulated, the airline industry throughout the world is having problems, and I submit to you it is greatly because of the worldwide recession.

In the United States, in 1981, the airline industry lost $421 million. In 1982, the figures are not totally in, but it is going to be somewhere between $550 million and $600 million.

Senator Andrews. I gave you a 2-year progression. The third year, of course, as we know, moves even more in the same wrong direction.

Mr. McKinnon. I am sorry, I cannot hear you.

Senator Andrews. I gave you a 2-year progression from the $200 million to the $400-some odd million. Now you have gone from the $440 million up to $500-plus million. So what you have just done is indicated that things keep getting worse.

Mr. McKinnon. What I am trying to indicate is that it does not matter whether you are in a regulated environment or a deregulated environment. The airline industry throughout the world is losing money, and I submit to you that they are losing money because of the worldwide recession. They are planned and geared to operate with a certain number of aircraft in good economic times and when they have bad economic times, it is difficult.

And I pointed out these bankruptcies throughout the United States because every industry is suffering under the economy, not just the airline industry.

FOREIGN CARRIERS

Senator Andrews. That is right, Mr. Chairman. But let us talk about the airline industry around the world. My concern, the concern of this committee, the concern of the Congress, is mainly our airline industry in this country. And let us face it, we all know that foreign airlines are not competing face to face with American airlines.

Foreign airlines are creatures of their government. They are subsidized by their government. Our American airlines can compete with any airlines in the world, just as American farmers can. But they have a very tough time competing with other governments.

And other airlines in other countries have never been profitmakers, and they are not making any great profits now, but they are going to come out whole, they are going to keep their infrastructure together, because their governments usually will continue to subsidize them.

Now, you just pointed out that you have lost most of your power, but the only power you have left is to adjust routes and rates.

Mr. McKINNON. No; those are the powers we lost, except internationally.

COMPETITIVE MARKETING INVESTIGATION

Senator ANDREWS. OK. You point out that you have lost the power to adjust routes and rates. Let us take a look at what you have been doing.

In the competitive marketing investigation, as I understand it, the Board made a change in its so-called exclusivity provisions. Those provisions precluded the compensation of any person but an accredited travel agent for marketing air transportation. The provisions had effectively made travel agents the exclusive marketers of air transportation, other than the air carriers themselves.

You found that this exclusive ruling needlessly reduced competition and should be phased out over a 2-year period. Now, what does the industry say about this innovative action by the CAB? Eastern Airlines' senior vice president of marketing charges that:

> The notion that competition from new kinds of retailers would reduce airline distribution costs is also suspect. It is just as likely that costs would increase if airlines find themselves bidding for potentially high volume outlets, such as department store chains and banks.

It seems like the last thing that airlines need today is a group of people without proper training or financial backing coming between the air carriers and their customers. Most airlines have been very vocal in stating their opposition to the CAB ruling. They are reluctant to deal with ticket sellers who are not bonded, as travel agents are, have little expertise in travel, and who potentially could create fare wars by selling tickets at discount prices.

Have any of the airlines taken advantage of this ticketing deregulation yet?

Mr. McKINNON. None to my knowledge at the moment.

I would like to give you a little more lengthy answer to that, Senator, if I could.

Senator ANDREWS. Oh, that is fine. You know, you told us what you could not do any more and now we are going into what you are doing.

Mr. McKINNON. Let me just share with you. In 1978, we deregulated the airline industry in the production of the product, and in 1982 we feel we deregulated the marketing of the product. There have been no changes that I am aware of in the industry so far.

You need to analyze, when you talk about what the airlines have to say about it, a little bit in the light that they are very sensitive to what travel agents can do. You brought up Braniff a few moments ago. At the end of Braniff—and this did not cause their demise—but travel agents, and you can say justifiably or not depending on your viewpoint, started booking away from Braniff. But Braniff had no alternate then to sell their tickets.

What convinced me that exclusivity should be left out of this was the fact that an airline should have the option, if they are going to provide the product and develop a service, on how to handle the sales themselves. They should not be required to have only one group of people selling tickets. If that group gets upset with them and decides not to sell their tickets, then they have no other source to sell the tickets for their very fine run airline. That is the only source they have.

There is great market power in the travel agents. For example, Frontier Airlines decided to lower their commission from 10 to 9 percent. In the trades, it is public knowledge that the travel agents, not collusively but individually and collectively, decided not to book airline tickets on Frontier to bring them back into line, and forced them to go back up to 10-percent commissions.

This is part of that, to discipline the commissions. Nothing is going to happen in this situation if the airlines do not want it to happen. All we did was give the airlines the freedom to be able to have alternate sources of marketing their tickets. If the airlines do not like that, then nothing happens.

All we did is say that this one group is not going to be exclusive and if the airlines need some other way to market their tickets, they have the freedom to do that.

ALTERNATIVES TO TRAVEL AGENTS

Senator ANDREWS. Well, what you say, Mr. Chairman, would indicate that the airline you cited, Frontier, which was unhappy with what had happened with the travel agents, should have jumped at the opportunity you gave them to go out and have Sears & Roebuck or Montgomery Ward order offices or whatever else sell their tickets. Did they?

Mr. MCKINNON. No, sir. This case was not in effect at that point. They had no alternative at that time. The only alternative they had was a travel agent. This would give them that alternative and if they felt that was the right thing to do, they could do it.

Now, Sears or anybody else, Mr. Chairman, will not sell those tickets unless the airline wants them to and authorizes them to do it. There is no way they are going to sell any tickets without the authorization of the airline. And the airlines are going to be very careful about who they pick. You are not going to find tickets in little corner markets and that type of thing. I cannot visualize that because the airlines want their money. If they are going to provide the service, they want to get the money, and they want to be sure that whoever sells those tickets is going to get the money back to them.

EFFECTS ON CONSUMER

Senator ANDREWS. I understand also, Mr. Chairman, that your competitive marketing decision deregulated the travel agency business only on flights where one airline carries a passenger on his entire trip. This is known, as I understand it, as an online flight, as opposed to an interline flight, where a passenger switches airlines to complete his trip.

Because the new agent will be selling tickets for only one airline, several travel agents have expressed the opinion that the agent will no longer offer the customer the best price on flights. Under the present system, the traveler is the first concern of the travel agency, regardless of which carrier he travels on. But under the alternate marketing process set up by the CAB, it is not the consumer that the agent is most concerned with, but the airline for whom he writes tickets.

The airlines did not ask for this new deregulation, and if it sets up a process by which travel agents are forced to consider airlines and their own profits over consumer interests, why did you do it, Mr. Chairman? Where is the benefit? Is this another example of commonsense kneeling before the pedestal of deregulatory theory?

The consumer really does not get a fair chance any more, does he? You have given him skyrocketing fares between most cities, declining service, here today-gone tomorrow air carriers. You are closing your field offices, so that those with complaints about essential air service cannot find you. And now you have fixed it so that even the travel agents are forced to work against the consumer.

Are you sure you are not a secret agent for our friends over at Amtrak, when you get right down to it? We sift through it and we begin to wonder what you are doing to help the consumer travel by air.

When I first came to Congress I could fly from Fargo, N. Dak., to Washington and back round trip for $104. Now it costs $546. A Congressman from St. Louis buys a ticket from Washington to the west coast, gets off the plane at St. Louis, throws the rest of his ticket away, and saves money. That is crazy.

Two-thirds of the people that want to travel in this country are paying through the nose, much higher rates than they have ever paid before, and one-third of the people, that happen to live in favored cities, end up being subsidized in their travel process by these other people.

What are you fellows doing? What priority can you claim to be giving the consumer in making your decision? And along the line, where are we going to end up?

Mr. McKINNON. I just want to say that I am mighty glad I do not share your doom and gloom thoughts about the industry.

Senator ANDREWS. Well, $200 million in the hole 2 years ago, $440 million in the hole last year, $500-some odd million in the hole the current year. You know, if that does not strike an indication for some of us, I do not know what would.

And then you go to deregulating the travel agents, and not one peep out of the CAB Chairman about exorbitant landing fees charged by foreign nations against us.

Mr. McKINNON. Well, Senator, we are working on that right now, and there have been peeps about it. In that International Aviation Club speech you referred to that I gave last year, we discussed that. We talked about how we made progress, if you can believe it, by keeping the fees capped, without having an increase they proposed.

We are in discussions right now with the United Kingdom over these user fees. They are exorbitant in our viewpoint. We are working on them really hard right now to try to solve something. It is a problem and we are doing everything we can figure out how to do in negotiations internationally. Unfortunately, the United States has to be sensitive to our allies in our dealings with them.

COMPETITIVE MARKETING DECISION

Senator ANDREWS. Does Ms. Schaffer have any comments about competitive marketing?

Ms. Schaffer. I do, Mr. Chairman. I was the dissenter across the board in that case. I was not very successful in convincing others to go along with our views. I have to say that my views were very similar to yours. I thought that the Administrative Law Judge's decision was really a very just and fair decision. He opened a window to allow an alternative marketing plan for online ticketing, which might in the future provide some immediate benefits for some consumers.

But at the same time he recommended, and I supported his recommendation, that the agency system really be allowed to stand as is. I think the agency system offers a very important protection for consumers, for airlines, and naturally for the travel agents themselves. But I think it has served the public well and that was really my concern. I felt that there had been a tremendous amount of upset in the airline industry as a result of deregulation and I did not honestly feel that now is the time to tackle another structure.

CHARGES BY AIRLINES

Senator ANDREWS. Well, certainly something has to be done. I have come up with suggestions on this charging by flights. We understand that it costs about 10 percent more per mile to fly a short route segment than it costs to fly a long route segment. And it has been heralded as re-regulation and scorned by some people, the suggestion I made in Philadelphia, I think last October, that we mandate the fact that no airline could charge more than 30 percent additional per mile on its most expensive route segment than it does on its cheapest route segment. Let competition flourish, but do not take it out of the hide of people who happen to live in some strange place.

I ran that by our new Secretary of Transportation. While she was fairly noncommittal, it was interesting that the Senators who were all here out of courtesy to the Secretary of Transportation, or a number of them were—the Senator from New York State thought that was highly necessary. The Senator from Mississippi, Mr. Stennis, who has been around for quite a while, thought that that is the direction we ought to move in. Senator Byrd thought it was the direction we ought to move in.

The administration was not all that happy. The CAB is not moving much or making much suggestion along that line.

But now I am interested, seeing that American Airlines just announced that it is going to streamline its fare structure by tieing the fares to distance traveled, and if other airlines follow American's lead—and United yesterday indicated it would—what impact would such a change in pricing have on fares involving small, medium, and large communities?

I would think it would be a pretty favorable impact. I think maybe they are realizing that what they have been doing is not going in the right direction. I even read a study not too long ago by Boeing, which certainly has the interests of the airlines at heart, that said that the sharply discounted fares did not serve the traveling public or the airlines, either.

Where is the leadership from the CAB? What innovative actions are you taking, Mr. Chairman?

Mr. McKINNON. Well, to respond to your total question, Senator, we are not in that position. The marketplace is working it out, and that is the way Congress determined it would be when you passed the Deregulation Act—the marketplace would work this out.

Senator ANDREWS. I am not so sure the marketplace is working it out. I think that when the airline boards or the airline management listen to Senators from both political parties, Senators that have been around as long as some of the Senators on this subcommittee have been around—and I speak mainly of my Senators on the Democratic side of the aisle on this subcommittee—maybe they are beginning to get the message.

But we have had to do this almost single-handedly. We have not really gotten a whale of an awful lot of support out of those in the agencies that are nominally known to deal with this problem.

RE-REGULATION OF AIRLINES

Mr. McKINNON. Well, Senator, when you talk about your 30–30 proposal, you get into a form of regulation.

Senator ANDREWS. Sure.

Mr. McKINNON. Well, I do not think you can get a little bit pregnant in regulation. The problem is that the airline industry today has built their entire structure on the deregulated environment. And when you start regulating in one little area you are going to affect all of them and then pretty soon you are in regulation. You are concerned about bankruptcies. I think you could have some bankruptcies by going back into regulation because they have structured themselves to operate in a deregulated environment.

Now, I really share your sympathy with the small, unpopulated areas having a difficult time with their service at times.

Senator ANDREWS. Mr. Chairman, I am not talking about the small unpopulated areas. Sure, I can wave the flag for North Dakota all I have to and have been known to do that from time to time.

But I think it is a downright disaster that to the best knowledge of this committee 70 percent of the air passengers in this country are paying through the nose to subsidize the travel of 30 percent who just happen to be in the right place. That includes a whale of a lot of people that fly out of New York and fly out of San Francisco and fly out of Los Angeles to go to some of these smaller places.

And I am also very concerned about the fact that in the name of competition, in the name of free entry and all of the rest, you can have a wealthy airline lay up against an airline that is financially troubled, lower its prices by $100 or so for that particular flight, and gouge the heck out of the airline that is having trouble with its balance sheet, and subsidize that type of gouging in profits it makes on other areas that it flies to.

I do not think that is right. I do not think that is what deregulation was cracked up to be, and if we have to move back toward re-regulation, fine, I will join the re-regulators. You know, I am not afraid to say that we are trying to make government work.

You have a lot of people that sit back and say, hey, no government at all. For 100 years, Mr. Chairman—and you are a Republican—for 100 years the Republican Party, in fact back in the days of Lincoln and in the 1800's, was the one that was dedicated to make government work, to fine-tune the engine of government so it did respond to the people. Now it seems that our party or some people in our party hide their heads in the sand and say, hey, let us back away from it, we do not want any government at all.

You know, that is not the way we want to go. I think we ought to use what we have to use, recognize we have a problem, not hide our heads in the sand.

And when you cite income figures for the airline industry, when you take a look at the number of trained pilots—how do you retrain a pilot, who has spent 20 years of his life flying, to be a salesman for what, MacDonald's hamburgers or something? And how much does the traveling public lose when fare practices and the rest make an airline that has a lot to offer the traveling public go under? And two or three more might be in that shape in the next few months.

Do we just sit back and say nothing is going to happen, the free enterprise system is going to work, hallelujah? Or do we say there is a problem out there and do the best we can to resolve the problem?

Mr. McKINNON. Senator, I would submit to you that we have a considerable difference of viewpoint on this.

Senator ANDREWS. Oh, I am sure we do, and that is why I am bringing up the discussion. All I am trying to find out is, what has the CAB been doing lately. And you know, I know what you have been doing. You have been putting out orders to deregulate the travel agents and the sale of tickets and a host of other things.

Mr. McKINNON. We did an airport access study——

CLOSING OF FIELD OFFICES

Senator ANDREWS. You have been closing field offices. Your consumer protection assistance and information program budget went from $2.5 million in 1982 to under $1 million in 1984, with complaints down from 12,600 actual in 1982 to 8,400 estimated in 1984.

Why do you project that complaints will decrease by approximately 30 percent between 1982 and 1984? Is it because you fixed it by closing two of your field offices, so 30 percent of them will not know where to find you? I mean, how do you get these trend lines that you serve up to this committee? Or do you expect that by next year they will have gotten to know your policies well enough to know that it does not pay to complain?

Mr. McKINNON. In regard to the field offices, in the last year we closed three of them. We closed the one in Kansas City that serviced North Dakota, and we have not received any complaints about that.

Senator ANDREWS. No; because they know when they go to you—you know, they are not going to get much out of you.

We appreciate the fact that you closed the one that serves North Dakota, and that lets our staff get more done.

Mr. McKINNON. When we closed the others, sir, it eliminated one person in Atlanta and one in Boston. And we have a very capable office here in Washington that will service those areas. Our biggest area of concern is on the west coast, and we have kept that office open. Our other area of concern is up in Alaska, where we are transitioning from the 406 program to 419, and we are going to leave that office open.

We think we do a very good job of servicing all the communities. If you recall, I called you at the time we were going to do that and you agreed with me that it would be good to be able to save money. It really was not a savings of money; it was just a matter of living within our means with the budget we had received.

TRAVEL OF BOARD MEMBERS

Senator ANDREWS. When you are talking about saving money, Mr. Chairman, what was the fiscal year 1983 travel budget for the five Board members?

Mr. McKINNON. Fiscal year 1983? We have a system where we allocate——

Senator ANDREWS. You came up with a budget to us for how much travel you were going to do for the five Board members for fiscal year 1983. What figure, do you remember that?

Mr. McKINNON. $40,000, I believe.

Senator ANDREWS. Is that for 1984 or for 1983?

Mr. McKINNON. I believe it is 1983, sir.

Senator ANDREWS. $40,000?

Mr. McKINNON. Yes, sir. And so far in 1983 we have spent about $11,800 in travel.

Senator ANDREWS. Well, the figures that we have—and maybe the computer that we have does not show right, but the figures that we have shows that you had a travel budget of $50,000 for the five Board members, and that by——

Mr. McKINNON. I think that is 1982, Mr. Chairman.

Senator ANDREWS. In 1982 you had spent $9,027.40 over budget, which was about 20 percent over budget. If you figure the budget was $40,000, you were 40 percent over budget.

Mr. McKINNON. No, sir, I believe 1982 was the $50,000 figure and 1983 is the $40,000 figure, and I show we went $6,800 over in 1982. We had the ECAC negotiations during that time and those were very critical negotiations and we did spend some money on that. We also had the Japanese negotiations. As these negotiations go, we sort of trade back and forth between which country will host the negotiation.

Senator ANDREWS. What is your projection for 1984?

Mr. McKINNON. The same as this year.

Senator ANDREWS. $40,000?

Mr. McKINNON. $40,000, yes, sir.

Senator ANDREWS. Can you provide for the record the dates and the total number of days and the specific purpose for which each Board member was out of town on official business during calendar 1982? And did any of these official business trips coincide with vacation leave taken prior to a member's return to Washington? If so, you can provide, I am sure, the specific detailed explanation for the record, as well as explaining what the Board's policy is in that regard?

Mr. McKINNON. Yes, sir.

Senator ANDREWS. And do that for the record.

[The information follows:]

CAB Official Travel Schedules for Calendar Year 1982

Attached are individual schedules for each Board Member's official travel, with specific purpose of trips and dates of travel. We have included in days "out of town" those where the departure was before 5:00 p.m., and given number of days of leave taken coinciding with a trip, with explanation. The Board's policy permits combining official business trips with vacation leave where the approved leave does not otherwise interfere with the conduct of Government business.

> "Where, for the purpose of the traveler's convenience or through the taking of leave there is interruption of travel or deviation from the direct route, the subsistence period or payment allowed will not exceed that which would have been incurred on uninterrupted travel by a usually traveled route" (CAB Manual 362.32a).

This is consistent with GSA guidelines (See Federal Property Management Regulations A-40, Supplement 1, paragraph 1-2.5b).

CALENDAR YEAR 1982

MCKINNON, DAN

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days leave taken coinciding with trip
San Diego, Tokyo, Osaka, Shanghai, Beijing, Seattle	Negotiations with Japan and China; meet with Boeing officials	19	1/8-1/26	
Los Angeles	Visit facilities of Continental, Western, Golden West, Flying Tiger and Edwards AFB	8	2/16-2/23	
Palo Alto, CA	Japanese Negotiations	17	3/5-3/21	
Memphis	Tour Federal Express	1	3/26-3/27	
New York	Visit PanAm; speak to American Society of Security Analysts	3	4/21-4/23	
Boston	Lecture at MIT; attend Deregulation Seminar at Harvard University	2	6/17-6/18	

DAN MCKINNON (continued)

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days leave taken coinciding with trip
Indianapolis & Chicago	Tour of United; visit ATC center at Indianapolis	3	5/29-6/1	
St. George, UT, Ely/Elko, NV, San Diego, CA	Visit Sky West; EAS review and community meetings; conduct interviews for CAB position	3	5/10-5/13	
San Diego, Colorado Springs	Speech to Amer. Society Travel Agents (Orange County Chapter); visit NORAD facilities	12	6/24-7/5	4 1/2 1/
Alaska 2/	Visit EAS points and meet with state officials	10	7/8-7/17	
Philadelphia	Speech to annual Conf. of Airport Operators	1	10/13	
New York and Hartford	Visit Pan Am; Pratt and Whitney	3	12/5-12/9	
FEMA Spec. Facilities	Nuclear Orientation Course	1	11/1	
	TOTAL	83		4 1/2

1/ Following speech to Orange County ASTA travel agents Chairman McKinnon took 4 1/2 days personal leave at personal expense.

2/ Trip was made at request of Senators Stevens and Murkowski; the following cities in Alaska were visited: Anchorage, Bethel, Chevak, Hooper Bay, Scammon Bay, Nome, Kotzebue, Deadhorse, Prudhoe Bay, Fairbanks, Valdez, Juneau, Petersburg, Wrangell, Ketchikan, White Mountain and Golovin.

CALENDAR YEAR 1982

SCHAFFER, GLORIA

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days leave taken coinciding with trip
Portland, North Bend, OR, et. al.	EAS Appeal	8	3/22-3/29	1 1/
Rio De Janeiro	Bilateral talks	10	4/16-4/26	1 2/
Minneapolis, MN	Address meeting Upper Midwest Council	2	5/5-5/6	
New York	EAS Appeal at Sullivan County	4	5/21-5/24	1/2 3/
Ottawa	Bilateral talks	7	6/17-6/23	1 + 2 hrs. 4/
Denver, Hayden, Steamboat Springs	EAS Appeal	6	6/7-6/12	1/2 5/
Caracas	Bilateral talks	15	8/16-8/30	3 6/
Whitefield, NH	EAS Appeal	4	9/9-9/13	
Copenhagen, Shannon and Dublin	Bilateral negotiations	18	9/17-10/4	2 7/
Hartford, CT	Speak before Conn. Credit Union League	4	10/7-10/12	
	TOTAL	78		9 + 2 hours

1/ Traveler concluded official travel on Friday at 8:00 pm, but chose to fly to Palm Beach at own expense for weekend and return on Monday, taking 1 day of personal leave.

2/ At conclusion of official business traveler arrived back in N.Y. on Sat. morning and chose to stopover and travel back to D.C. on Monday, taking one day of personal leave.

3/ Traveler ended official business on Saturday & chose to fly to New Haven at own expense & return to D.C. on Monday, taking 1/2 day of personal leave.

4/ Official travel began on Sunday. Traveler left D.C. Thursday evening & took 1 day of personal leave on Friday.

5/ Traveler was in N.Y. for weekend, chose to leave from there, taking 1/2 day

6/ Official travel began on 8/17 and ended 8/25. Traveler took 1 day of personal leave at beginning of travel & 2 days personal leave at end, exclusive of weekend.

7/ Official travel began on Saturday, 9/18 and ended 9/30. Traveler left D.C. on 9/17 and stayed 1 extra day in Ireland. Traveler took 2 days of personal leave at own expense.

CALENDAR YEAR 1982

- BAILEY, ELIZABETH E.

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days leave taken coinciding with trip
London and Paris	Bilateral talks and ECAC	9	1/20-1/28	
Oslo	Bilateral talks and ECAC	8	2/6-2/13	
Paris and London	ECAC talks	9	2/21-3/1	
Toronto	Am. Enterprise Institute Conf. on Impact of Regulatory Reform in U.S. and Canada	2	5/19-5/20	
Boston	Seminar at Harvard on Deregulation	2	6/17-6/18	
New York	Attend dinner honoring DOT Sec. Drew Lewis	1	6/21	
Paris	Bilateral talks	5	6/28-7/3	
Beijing, China	Bilateral talks	13	8/7-8/19	3 1/
New York	Wings Club 40th Ann. Celebration	4	10/24-10/27	1 1/2 2/
London	Bilateral talks	5	11/6-11/10	
Paris	ECAC	5	12/11-12/15	
	TOTAL	63		4 1/2

1/ Negotiations concluded August 14, but the agreement was not signed until August 19. Member Bailey chose to take personal leave to be in China for the formal signing.

2/ Member Bailey travelled to New York City early due to the illness of a member of her family in New York.

CALENDAR YEAR 1982

SMITH, JAMES

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days leave taken coinciding with trip
Ottawa	Bilateral negotiations	5	2/8-2/12	
Memphis	Tour Federal Express	1	3/26-3/27	
Lisbon	Bilateral negotiations	7	4/3-4/10	
Fort Dodge, IA	Hearing on EAS Appeal	3	4/12-4/14	
Phoenix	AAAE Annual Meeting	4	5/16-5/19	
Ottawa	Bilateral Negotiations	4	6/22-6/25	
Marco Island, Florida	Attend Airport Managers Assoc. Conf.	4	8/10-8/13	
Anchorage, AK	Familiarization tour of Alaskan EAS points	8	8/23-8/30	
San Juan	Attend ATA Conference	4	11/16-11/19	
	TOTAL	40		0

CALENDAR YEAR 1982

- DALLEY, GEORGE

Place(s) Visited	Purpose of Trip	Number of Days Out of Town	Dates of Travel	Numbers of Days * leave taken coinciding with trip
Bridgetown, Barbados, St. John's, Antigua and Los Angeles	Discussions with aviation officials and to address Black Prof. Employees of United (LAX)	7	3/20-3/28	
Lome, Togo	7th Int'l Congress on African Tourism	10	4/29-5/8	
Wisconsin Rapids, WI and Lima, OH	Hearings on EAS Appeal	2	5/24-5/25	
New York	Appear on TV program "Today in New York"	1	5/27	
New York	Int'l Conf. of Lloyds of London	2	6/10-6/11	
Anchorage, AK	Familiarization tour of Alaskan EAS points	6	8/23-8/28	
Sacramento and San Francisco	To meet with aviation and state officials re: EAS in CA.	5	10/5-10/9	
	TOTAL	33		

* Former Member Dalley's term of office expired 12-31-82. His personal records are no longer available at the Civil Aeronautics Board.

COMPUTER RESERVATION SYSTEM

Senator ANDREWS. How far, Mr. McKinnon, can a computer reservation system be biased before it becomes anticompetitive?

Mr. MCKINNON. Well, you are feeding my statement back to me.

Senator ANDREWS. That is right.

Mr. MCKINNON. And I do not know yet. The Congress asked us to do an investigation on that and we are doing the investigation. We are in the process of gathering the facts. There are a lot of different areas. There is display bias; there are differentials in agent cost based upon your booking with the computer owners; there is the use of computer-generated marketing data; there are booking fees and ticketing charges to carrier participants; there are efforts to place all tickets on the servicing carrier; and there is manipulating of fares and seat availability.

There are a lot of areas. Some are very subtle that these computers are involved in. We are working with the Department of Justice to try to get the facts.

We anticipate having a report of those facts to the Congress and, at that time, somebody is going to have to make a determination how far bias can go before it does become anticompetitive.

I think this is the single most significant factor in relation to competition in the airline industry today, this so-called computer bias. And it is hard to tell you exactly where we are going until we get all the facts. Once we have them we are going to get them to you as quickly as we can.

PAPERWORK REDUCTION

Senator ANDREWS. Your budget justification, Mr. Chairman, on page 49 contains a quite illuminating statement:

> The need for new regulations to amend and reduce air carrier reporting requirements in line with changing regulatory information needs also continues at a high level. Along with these amendments, there is a continued heavy activity in the clearance of reporting changes with the Office of Management and Budget under the Paperwork Reduction Act of 1980. In addition, the act has led to other work items, such as the information collections budget that is required by OMB.

That is about as good an argument for sunset for the CAB as I have ever heard. At the risk of creating more paperwork, would you care to clarify for the record what net benefits or additional costs will accrue to the CAB as a result of this paperwork reduction effort?

Mr. MCKINNON. You know, I am a little confused when you talk about hurrying to eliminate the CAB on the one hand and talking about wanting to re-regulate the industry on the other. But the industry paperwork is down 32 percent. The carrier burden, as an overall average, is down 42 percent. Our goal by sunset is to eliminate 55 percent of the paperwork for the industry, and we are on target to doing that right now.

Under regulation, there was a lot of paperwork that was needed to be filed and was required in the process of determining routes and rates. Since we no longer have authority in that area, some of that paper is just not necessary.

There are certain requirements for the Department of Defense, the Department of Transportation, and other Government functions for which we do collect data.

PROPOSAL FOR NATIONAL TRANSPORTATION COMMISSION

Senator ANDREWS. What is your reaction to Senator Packwood's proposal for a National Transportation Commission?

Mr. McKINNON. The Civil Aeronautics Board has not taken a position on it. My personal opinion is that there are some dangers in that course.

No. 1, a person who is dealing with transportation issues, for example, involving shipping and aviation, in talking to some foreign negotiator, might have a problem justifying price arrangements for shipping and then asking for open pricing on aviation.

The other problem that concerns me, probably even deeper than that, is the fact that aviation issues might get shortchanged in such an intermodal type agency. There might be some shipping things traded off for aviation benefits. And I think, in championing the aviation industry, it is important that we look out for their best interests and not trade their interests off for shipping, railroads, trucking, or any other aspect.

For those reasons, I feel it ought to go to DOT in an environment I proposed yesterday.

EMPLOYEE PROTECTION PROGRAM

Senator ANDREWS. You had said, Mr. Chairman, that an increasing and important part of your work will be fulfilling your responsibilities under the employee protection program. Last year you completed the first phase of 13 EPP cases that were filed and you determined that 9 of the 13 experienced major contractions in employment, that is, they experienced reductions of at least 7.5 percent in their employment.

The next step is to determine whether any of the major contractions were qualifying dislocations, which is to say that they were caused by deregulation. How do you propose to go about determining what a qualifying dislocation is?

Mr. McKINNON. We are in the process of trying to figure that out. That is the most complex part of this law. Just by way of history, industry employment was up until in 1980 following deregulation. In October 1978, there were 333,000 people employed in this industry, and in December 1979, there were 356,000. By December 1980, it dropped down to 344,000.

We have been going through a series of procedures to try to determine the question you are asking. In July 1980, we proposed a rule on this situation; in November 1981, we adopted a final rule; and in March 1982, we issued the rule, after coordination with OMB. In May 1982, we did find that the nine carriers you are talking about had suffered contractions of greater than 7.5 percent.

Today we are trying to figure out the best technique to give everybody a fair hearing in this process. Do we have an Administrative Law Judge hold hearings to gather the facts? Does the Civil Aeronautics Board sit in a session itself and take testimony directly to get the facts, so that everybody has a fair opportunity to present their cases?

We are trying to figure that out right now, so we can make a decision and provide all kinds of due process. The law passed by the Congress was quite vague and it had virtually no guidelines at all for standards to make this determination. So it has placed quite a burden on us to come up with the fairest technique of all.

AIRPORT ACCESS TASK FORCE

Senator ANDREWS. Another major issue into which you have been looking is the overall question of whether airport access restraints might impair the competitiveness of the system by arbitrarily limiting or precluding new carriers or entrants from expanding into new markets.

The question became so important that Congress itself recently created an airport access task force to examine the problem in depth. This task force was funded by DOT and was composed, as you know, Mr. Chairman, of representatives from consumer groups, airlines, manufacturers, airport operators, and Government agencies, with you as the CAB Chairman required by law to serve as its head.

That group considered such problems as lack of ramp space, scarce ticket counter space, crowded lounges, and inadequate baggage facilities. The report was presented to Congress on March 10. It concluded that terminal access will worsen over time, but that the Federal Government should consider no new laws or regulations to improve the situation.

You concluded that this report demonstrates that those individuals who are directly concerned with the problems of access at the Nation's airports have the ability to work together for their own solutions.

What do you believe is the proper role of the Federal Government in addressing airport access problems?

Mr. MCKINNON. Well, the task force itself, which is made up of 24 experts, as you pointed out, from all aspects of the airline industry, came to the conclusion that by and large private industry could better deal with solving these problems than having a whole host of Government regulations.

Now, the opinion was not unanimous. One suggestion was that the Congress direct the FAA to examine local noise limit restrictions and that there be mandatory land use planning adjacent to airports, as well as some additional study on the access and attempts to get better access roads into the airport terminals themselves.

I think we are still analyzing a great deal of the report from the standpoint of how much the Government should get involved. Generally, everybody that was on the task force felt the less government the better, although there may be some need for government down the road. But you have a diversity of viewpoints there and, quite frankly, I think they recognized that some problems just had no solutions. I think they were honest enough to recognize that.

AIRLINE PRICE-FIXING INVESTIGATION

Senator ANDREWS. The celebrated incident of American Airlines' allegedly attempting price-fixing activities with Braniff has been in the news lately, with charges by the Braniff President that his counterpart at American offered a conspiracy in which the two companies would agree to raise fares 20 percent just prior to the Braniff bankruptcy.

Is the CAB playing any role in this investigation?

Mr. MCKINNON. When Braniff first went bankrupt, there were some accusations of computer dirty tricks and other problems concerning the area settlement plan and that sort of thing. A grand jury got involved and the Justice Department took it over. We gave them all our information, but it is really in their bailiwick.

They are doing the investigation on the allegations of the phone calls and that sort of thing. That is really not our 10 acres. We have no evidence to indicate that such a thing is a widespread problem. I believe that is the Justice Department's area of expertise and I am sure they will come up with the proper resolutions.

SUBMITTED QUESTIONS

Senator ANDREWS. Mr. Chairman, I appreciate your comments on these issues. We have a vote on cloture coming up in 1 or 1½ minutes, if the clock is right, in the Senate.

I have some questions that I would like to submit for the record, and Senator Chiles also has some questions to submit for the record. Other members of the subcommittee may well have questions similarly for the record.

We appreciate your coming down. We appreciate your fellow Board members joining us this morning.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

FIELD OFFICE CLOSURES

Question: You are proposing to close two regional offices--in Atlanta and Boston. What was your rationale in making such a decision?

Answer: Because of the severe budget constraints under which the Board is operating, we were forced to review areas where further cuts could be made. We have already made substantial reductions in our nonsalary items and are faced with eliminating personnel. As you know, the Civil Service regulations limit our ability to reduce our staff in any systematic way without risking enormous disruption in our ongoing programs. For this reason, and with regret, we decided to reduce our regional presence and reorganize those activities. You will recall, the CAB circulated a budget situation paper in October 1982, in which we outlined actions we would be forced to take if our FY 83 budget was reduced. Number one on that list was the possible closure of our community assistance field offices.

Our regional network has been reduced from five regions to two--an Eastern and a Western region. The offices in Atlanta and Boston will be closed as of April 30. This reorganization does not affect our Alaska office in any way.

The Board is not happy with this decision but we believe that we can make it work. While we believe a regional presence is important, the activity in the regional offices is not as intense as it was during the formative stage of the essential air service (EAS) program.

During the infancy of the EAS program, the need to explain the effect of deregulation and the implications of the service guarantee provisions of the Act to affected communities required a good deal of personal contact. That stage of the program required a widely dispersed regional staff to assist communities in becoming familiar with the new law, policies, and rules.

Since then, however, the EAS program has stabilized and matured. This transformation has enabled us to handle most problems from Washington with our expanded staff here. The program is now more centralized than it could have been in its earlier stages and community views are being vigorously represented by Washington-based personnel, with travel to the field being performed as required by the circumstances of individual cases.

We will endeavor to make all the communities feel that they are important and that they have our ear and we will, of course, reevaluate this decision should we find at some point in the future that our small communities program is suffering through lack of regional representation.

SAVINGS IN CLOSURES

Question: What is your estimated total savings?

Answer: The issue is not how much would be saved. We had to close these offices in order to live within our FY 1983 appropriation.

The annualized cost of operating these offices is about $170,000 in salaries and benefits and about $15,000 in office space rental.

POSITIONS IN CLOSED OFFICES

Question: How many positions are involved?

Answer: Our action involved one professional Schedule C position in each of our regional offices in Atlanta, Boston, and San Francisco. In addition, a clerical position in Boston was affected.

ALTERNATIVES TO CLOSINGS

Question: In Washington, it is not unknown for an agency to cut one of its most visible operations, with a great deal of local support, in order to pressure increased appropriations. What specific alternatives did you explore before deciding to cut the field offices?

Answer: We have squeezed, trimmed and cut wherever possible to live within our funding limits.

In fact, our tenuous fiscal position prompted recent authorization committee hearings in both Houses.

Both committees reported out strong recommendations to increase the Board's 1984 funding, the House recommending an additional $1,000,000, and the Senate $600,000.

These recommendations come from our testimony and past financial history which clearly indicates that we have used every viable alternative to reduce spending.

The first alternative we explored was to cut back on operating expenses since management can exercise considerable discretion in cutbacks without impairing program performance. While our 1982 actual operating expenses were only about $50,000 less than in 1981, we absorbed in 1982 a rate increase of almost $1.4 million in GSA-negotiated rent.

Thus, our operating expenses actually dropped approximately $1,450,000 in 1982, and we are projecting further reductions of almost $600,000 over the next two years. We believe we have exhausted this alternative as a way to cope with our funding cuts.

Reducing personnel is a second alternative and provides the biggest dollar savings. But this alternative is getting more and more difficult to rely on. The one reason is that we have no change in our statutory responsibilities between January 1, 1983 and January 1, 1985. In fact, most of our current work and authority will transfer at sunset under the Airline Deregulation Act. Thus the reduction of 130 people from current staffing levels will affect transferring programs.

Our aggressive outplacement efforts have enabled us to rely on a high rate of attrition to meet and avoid personnel and funding problems.

In 1983 we are depending on an attrition rate of seven employees a month, which would drop our employment from 518 to 434 by September 30, 1983.

In 1984, we must drop another 68 employees to get down to 366 by the end of fiscal 1984 (which is only three months short of sunset).

However, so far in fiscal 1983, we are behind our goal. This not only causes problems in living within our 1983 funding, but also may cause problems in meeting our 1984 targets.

Let me put this in perspective. We are already six positions behind our attrition target. If this rate continues, we are likely to fall at least 12 to 15 separations short of our target of 434 employees at September 30, 1983. From a money standpoint, this translates into a $200,000 to $600,000 shortfall, depending on actual attrition (who leaves, when they leave, their pay levels, etc.).

Equally important is the effect this will have in fiscal 1984. Because our funding estimates are developed on workyears, the attrition "missed" in 1983 must be made up in 1984.

We carefully considered the various areas where we might best be able to make cuts, while protecting program effectiveness. A major influence during our consideration as we mentioned in response to our previous questions was the fact that Civil Service Regulations limit our ability to reduce our staff in a systematic way without risking enormous disruptions in our ongoing programs. Reluctantly, we determined to reorganize our regional activities.

EFFECT OF CLOSURES ON CAB RESPONSES

Question: How will the closure of your field offices affect the manner and responsiveness of your handling of consumer complaints?

Answer: It will not have any adverse effect. After passage of the Deregulation Act in 1978, five regional community assistance offices were established to help explain the new essential air service program to community groups, respond to their concerns, and communicate to the Board their views and reactions to the major air service changes taking place throughout the country under deregulation.

This regional network was never intended to assume a significant consumer complaint handling function.

Although there are occasional inquiries at the regional offices by individual consumers, virtually all consumer complaints are referred to our Washington headquarters, where all our consumer analysts are located.

I might add that all the Board's six consumer assistance field offices, exluding Anchorage, were closed by August 1982 and the workload transferred to our Washington headquarters.

STUDY OF COMPUTER SYSTEMS

Question: The FY 1983 conference report included a directive to the CAB to work with the Justice Department to conduct a study of the computer reservations systems which are leased to travel agents by the airlines and to determine the effects on competition and any antitrust implications which may exist. Specific items to be investigated were:

(1) Lease costs to travel agents and any conditions of the leases which inhibit competition.

(2) Discriminating or anti-competitive charges to other airlines who may cohost the system.

(3) Discrimination in the display of schedules and fares by those air carriers offering a system to the detriment of other carriers (those who either cohost the system or do not co-host the system). The study was due for completion within 45 days of the date of enactment of the Transportation Appropriation Act for FY 1983 — December 18, 1982. Six weeks ago, you wrote the Committee to explain that you would be unable to meet the 45 day reporting day requirement. What progress have you made and when will a final report be ready?

Answer: We have found this area to be extremely complex. The more investigation we do, the more new avenues of inquiry are opened and the more information is needed. Our staff tells me it would like to obtain more information, but that a thorough investigation of this area would take many months. They are preparing the report with cooperation from DOJ on the basis of the information they have collected thus far. It represents the information obtained by giving all viewpoints an opportunity to present their views. Almost two dozen air carriers, travel agent groups and business concerns took the opportuntiy to give their input into the report. Our staff has indicated that the report will be completed by the end of April.

DISCRIMINATORY AND ANTICOMPETITIVE PRACTICES

Question: What discriminatory and anticompetitive practices are most commonplace? Is there a computer display bias? Are there differentials in agent costs based on bookings with the computer owner? Is there manipulation of fare or seat availability?

Answer: We have not had an opportunity to review all the information our staff has collected or its recommendations. However, from what we've seen, thus far, we can suggest areas of concern that have been raised.

Whenever one arrays flight information, at some point some measure of preference will enter into the process. For example, where there are two flights leaving at exactly the time requested, one carrier's flight will be listed before another's. The quality of service will also be taken into account. A flight leaving at exactly the time requested, but requiring two connections, is likely to be subordinated to a direct flight leaving sometime later. Some preference is unavoidable in any system.

Carrier owners of computer systems generally give themselves some greater degree of priority in the display process. Their flights will be shown before another carrier's if they both leave at the time requested, or are equidistant from it, and provide the same quality of service. The "host" carrier may also give itself a wider window around the time requested in order to give its services a better chance to appear on the display. While some preference may be tolerable, the difficult question is how much is too much.

One might conclude that bias is clearly unacceptable if a carrier is excluded from a computer system altogether. This would seem to be, in a sense, absolute bias, because a carrier's services wouldn't appear at all. Even in this case, however, the question is not cut and dried. In order to reach the conclusion that exclusion is anticompetitive, one must find evidence that the market for computer reservations services is not competitive and that certain airlines that provide reservations systems control what are "essential facilities".

There are two pricing issues related to this area: the price to all carriers of getting their schedules and availability on the reservations systems, and the price to agents to lease or purchase reservations systems. We have received a number of complaints from air carriers that certain carriers are requiring them to pay unreasonable amounts for each booking made through those systems while similarly situated carriers are being charged much less or nothing at all. Whether such practices should be labelled unfair or anticompetitive requires difficult judgments on the competitiveness of the reservations systems industry.

With regard to agents lease cost, the issue is whether carriers are subsidizing below cost leases or sales, in order to place their systems in agencies. The issue of whether such practices are unfair again requires a very careful examination of all the facts, including some assessment of the cost of providing computerized reservations services.

One last area of competitive concern is the manipulation of a dominant position as a provider of computerized reservations services to gain a competitive advantage in air transportation markets. In this category we would place any unfair manipulation of a competitor's fares or schedules. While we have heard many allegations of such conduct, there is some question as to whether carriers could actually engage in the conduct complained of. Moreover, in view of the fact that the data bases are constantly being revised and upgraded, it is difficult to capture the system for a moment in time in order to prove willful manipulation of the system for competitive ends.

In this last category we would also place complaints that control of computerized ticketing and reservations systems includes the ability to use or abuse sensitive information. A portion of the sales information of any carrier on which bookings are made will be available to the carrier owner of the automated system. It will have access to actual sales data, from individual agents and other subscribers, by individual airlines and identified city-pair segments.

This is proprietary information of the most competitively sensitive nature. It identifies exactly the individual sources of each participating carrier's sales as well as the segments flown. It has been alleged that this information is being used by air carrier marketing personnel to pressure agents to increase the market share of the host air carrier.

COMPUTER-OWNING AIRLINES

Question: Are computer-owning airlines taking advantage of the ticket-writing systems to improve their cash position at the expense of their competitors by plating all tickets on the servicing carrier?

Answer: A longstanding practice among air carriers provided that a transporting carrier should be named the ticketing carrier when a travel agent writes a ticket.

However, in some circumstances the agreement also permitted airlines to allow agents to name them as the ticketing carrier, even when not providing any transportation. When this occurs, under current settlement procedures the nontransporting airline would hold the money collected for some period of time. In short, the carrier got the benefit of using other airlines' money.

In December 1982, we approved an amendment to this agreement that purportedly reaffirmed the traditional rule that transporting carriers would be ticketing carriers in almost every case. Only in rare circumstances would the amendment limit agents to computer owning airlines if they were going to designate a nontransporting carrier as the ticketing carrier. We approved the amendment on this basis.

As is more fully explained in a subsequent answer, computer-owning airlines may be taking advantage of certain language in the amendment to improve their cash flow position, through misuse of the above preference.

We will soon release an order dealing with this issue. The pendancy of the matter precludes a response on the merits at this time.

HOLD-BACK OF BRANIFF'S REVENUES

Question: What indications are there that American Airlines held back substantial Braniff revenues last summer prior to Braniff's bankruptcy? What is the status of the Justice Department's investigation and the CAB's role in it?

Answer: We have no role in or information about the Department of Justice's investigation of whether American held back Braniff revenues just prior to Braniff's bankruptcy. We understand that the Grand Jury looking into the matter was terminated without an indictment.

CO-HOST ON COMPUTER SYSTEM

Question: It is possible that a computer-owning carrier can refuse, through pricing or otherwise, to allow another carrier to co-host a system and thereby preclude the noncomputer carrier from having its schedule displayed?

Answer: Computer-owning carriers have removed other carrier's schedules and/or availability from their systems. Usually, removal occurs because of a failure to agree on the cost of access to the system. In adidition, a carrier may wish to improve the position of its schedules in a reservation system by becoming a co-host. We have received allegations that carriers have been and are being denied such "more favored" treatment for competitive reasons but the Board has reached no determination about the legality of the practice.

ONE-CARRIER PLATING PRACTICES

Question: In this derequlatory environment, is the CAB playing any role in determining whether one-carrier plating practices are being "hypercompetitively" used to adversely affect the cash flow of another carrier?

Answer: The issue of carrier plating practices is currently under examination in a proceeding before us. In Docket 40957 we are reconsidering our approval of an agreement that establishes plating priorities.

We were asked by Continental Airlines to re-examine our approval because what we understood to be an agreement to protect transporting carriers' cash flow, may, instead, adversely affect non-servicing carriers' cash flow.

The agreement provided that travel agents have a carrier's validation plate in order to name it as a ticketing carrier. If they did not have the plate of any carrier participating in the itinerary the agent was restricted to naming as the ticketing carrier the carrier whose automated equipment he had.

Rather than reaffirming the principle that agents will ticket on a carrier participating in the itinerary, Continental alleges that computer-owning airlines have given agents permission to write all tickets in their name, with potentially tremendous effects on transporting carriers' cash flow. More than a dozen carriers have filed answers in support of Continental's request.

The manipulation of agents' plating practices is of substantial concern to us and the issues raised by Continental has very serious ramifications that we are currently assessing.

TICKETING CARRIERS

Question: Why should computer-owning carriers have the right to name themselves the "ticketing carrier" even when they do not provide the transportation?

Answer: It is by no means clear that computer-owning carriers should have this right. They came by it inadvertently, and the Board is now considering the propriety of allowing them to retain it.

In December, the Board approved an ATC intercarrier agreement which purported to ensure that agents would name a transporting carrier as the ticketing carrier whenever possible. ATC justified the agreement as an attempt to arrest the practice, known as "plating around", whereby an agent minimizes its own and its client's financial risk by making the ticketing carrier a soundly solvent carrier rather than the financially weak carrier that is actually providing the transportation. While "plating around" may protect agents and their clients, it aggravates the weak carrier's troubles by interrupting its cash flow: the carrier paid first is the ticketing carrier, not the transporting carrier.

As the Board and all commenting parties understood the agreement in December, it would arrest "plating around" by requiring agents to name a transporting carrier as ticketing carrier whenever possible. One clause passed unnoticed, its practical implications unimagined. Not until the agreement was in effect did the carriers realize that through this clause, they had granted the computer-owning carriers the right to name themselves as ticketing carrier even when they are not scheduled to participate in an itinerary.

Continental and other carriers, as well as the nation's two largest associations of travel agents, now protest this grant and have asked the Board to reconsider its approval of the agreement. They have supplied evidence that agents actually do issue tickets on computer-owning carriers rather than transporting carriers, to the detriment not only of transporting carriers but also of other carriers that do not own computers, and contrary to the agreement's express purpose. The Board is in the process of reviewing its approval and will issue an order on reconsideration shortly.

JOINTLY-OPERATED RESERVATION SYSTEM

Question: Should a single, system-wide, unbiased, jointly-operated computer reservations system be established? Would the CAB view this as anti-competitive?

Answer: This question asks us to draw conclusions we are not in a position to reach at this time. An industry-wide system would probably not be anticompetitive, although we would have to look at the specific proposal to reach any definitive conclusions on that issue.

TRANSFER OF CONSUMER DIVISION

Question: Where will the Consumer Division be transferred to? Who will be looking out for the consumer?

Answer: Under the Airline Deregulation Act, no explicit provision is made for transfer of our consumer function with respect to domestic transportation. Sufficient authority exists to transfer to DOT our consumer functions in international air transportation. If no legislation is enacted in this area, the authority of a successor agency to "look out for the consumer" where domestic transportation is involved would be unclear.

The Board is conducting comprehensive reviews of our existing consumer protection rules to determine which of them should remain after the Board sunsets. We have completed those reviews with respect to reservation oversales and notice of terms of contract of carriage and believe continuing regulation is necessary in both of those areas. We are also completing our final review of the regulations covering smoking, limitations of baggage liability, and charters. We have also, in response to the Act, issued regulations concerning insurance and carrier liability. We expect to retain each of these regulations, although some of them have been trimmed down to minimize their burden on the carriers.

The Board submitted a legislative proposal to Congress in late 1981 in which we recommended that our public-protection powers, which are the jurisdictional basis of many of these consumer regulations, be transferred to the Department of Transportation. The Board is now reviewing staff recommendations for a legislative proposal to be sent to the new Congress.

The Board is also considering what is the best disposition of our general authority over unfair and deceptive practices, particularly advertising problems, and unfair methods of competition.

INTERNATIONAL AVIATION

Question: Under present law, all authority over foreign transportation is to be transferred to the Department of Transportation after sunset, except the authority to approve international carrier agreements, which goes to the Department of Justice. On March 2nd and 3rd, the Department of Transportation held a two-day seminar to address the CAB's international rate and route authority following sunset of the Board after January 1, 1985. Participants at this symposium included representatives from air carriers, law firms, former regulators, universities, and consumers. The testimony primarily offered three options for procedures to be used for U. S. carrier selections in a limited-entry international market: (1) lotteries, (2) auctions or, (3) adjudicatory proceedings. On balance, what was the sense of the participants in regard to these questions? What is your judgment on the administration of international aviation functions after next year?

Answer: Various proposals were offered and discussed by the participants. Industry representatives and aviation lawyers continued to state that administrative proceedings will be needed for carrier selection in limited-entry international markets, as well as other areas such as agreements, tariff disputes, and fair competitive practices.

All the Board Members agree that decisions in the areas mentioned above should continue to be insulated from pressures from both the chain of command and outside parties. The current Board as a whole has not taken a position, however, on whether its functions should be performed by an independent agency or one within the Executive branch.

Speaking personally as Chairman, I outlined recently a proposal of my own for the transfer of remaining CAB functions to DOT, a copy of which follows for your information.

PROPOSAL FOR TRANSFER OF REMAINING CIVIL AERONAUTICS BOARD FUNCTIONS TO THE DEPARTMENT OF TRANSPORTATION

by

Dan McKinnon

March 15, 1983

For the last 45 years, the CAB has been an effective instrument of our government.

Under deregulation -- most of what we did in the past -- is no longer our mission.

Our remaining functions are scheduled to go to DOT.

And that's as it should be.

While the Board has not taken a position on the proposal, I would personally be worried about putting CAB into some giant intermodal agency for several reasons.

It could place a burden on them by having to advocate opposite viewpoints to the same international negotiator of a foreign country.

For example, they would have to defend "conference agreements" and industry rate-setting for shipping on the one hand and argue for open competition in aviation on the other.

I believe it's healthy to have different advocates of different forms of transportation.

Let us not forget it was the example set by the CAB in aviation which brought attention and pressure for deregulating changes on the ICC.

Would that have happened if the ICC, FMC and the CAB were all in the same agency?

I doubt it!

In addition, it concerns me that in international negotiations, aviation matters could be traded off to assist gaining non-aviation benefits.

As a champion of aviation interests, I don't think that would be fair.

All our programs and orientations are geared to folding the remaining functions into DOT.

It seems to me that at the CAB we're too far down the road to reverse that course.

The recent seminar conducted by DOT on insulation of carrier selection for international route rights was a healthy and beneficial airing of viewpoints that stimulated constructive thinking.

I think the seminar pretty well laid to rest the idea that there is some way to avoid deciding the tough questions.

There was a strong consensus among the aviation people, at least, that international route awards must be made by some kind of reasoned decisionmaking.

There is no magic available by way of lotteries, auctions or draft choices.

That is not to say that innovative methods such as those or others may not be useful in certain carefully defined situations: perhaps late in a proceeding when the field has been narrowed down to a couple of very close choices.

There also seems to be a fairly strong feeling that this decisionmaking -- based on careful presentations of evidence -- should extend beyond carrier selection to major questions in the areas of agreements, tariffs, antitrust and fair competitive practices.

So we are then back to the question of how an Executive agency should handle these decisions.

At the DOT seminar some people took the position that there's simply no problem in moving these decisions into an Executive agency, because people who work over there are just as conscientious as we independents are.

As one commenter put it, a DOT employee is no more likely to give away a route for a "bag of money" than is a CAB employee.

Of course he was right.

But that kind of talk misses the point.

We're not talking about personal corruption.

The point and the problem is that an Executive agency plays an integral part in an Administration's program. Any such program is designed to influence two groups of people:

1) Congress, and

2) the voting public.

And of course that kind of influence is a two-way street -- that's as it should be -- it's the way an open political system works.

At the seminar, John Barnum, former Deputy Secretary of Transportation, aptly described the Congressional side of the process.

DOT was deciding on Amtrak routes.

The vote of an influential Congressman was badly needed on some other issue.

The Congressman, reflecting the wishes of his constituency, wanted another Amtrak route through the state.

DOT got the vote, and the Congressman's district got the train.

The same works on the public side. The Executive, from the President down through each agency, is open to hearing what the people want, and in some sense should be responsive to those wishes.

The problem is that for certain types of decisions, especially those we call quasi-judicial, where we are deciding between the claims of two or more private parties, we don't want any kind of influence except what is put openly on the record before impartial decisionmakers.

That was why independent agencies were invented.

If we get calls or contacts on any case before us, whether from the Hill or elsewhere, we put a record of them in the public dockets of the Board, as our regulations require.

A large measure of our independence comes from the fact that we don't have to run the entire government, run for office, or get a program through Congress.

In a real way Board Members are free to vote the way they want to.

So if we want real insulation from this kind of influence, it isn't enough to say, "We'll let the head of the Executive agency make the final decision, and require him or her to make it on the basis of the record."

If they hold their position at the pleasure of the President or the Secretary, the human reality is that they are going to be responsive to their superiors' wishes.

We can't wish away the problem.

It comes with the turf.

I had the good fortune of coming here with the ability to get a fresh clear perspective, without any biased viewpoint or background in commerical aviation -- except a love for business and flying.

Since I came to the Board in 1981, I've given a good deal of time and thought to the question of how the remaining functions of the CAB should be structured at DOT.

We've set up a joint CAB-DOT Task Force to plan for the transfer of many of the remaining Board functions.

But we still don't have a structure to bring it all together.

Time is of the essence.

CAB sunset is approaching fast and the Congress will need time to act.

I've discussed this issue with the Board's staff, and have carefully considered the opinions that Marvin Cohen, John Barnum, Bill Kutzke and others expressed at the DOT seminar.

I'd like to share with you my own judgment of what specific structure ought to be set up -- so we can get on with the job.

I'd suggest the establishment of the Civil Aeronautics Administration as a part of the Department of Transportation.

It should be headed by a Presidentially-appointed and Senate confirmed Level III administrator and a Level V deputy administrator, both with fixed terms of 4 years, and on a staggered basis.

There would be offices which would include the Office of International Aviation, and since we have no more domestic regulation authority and no thought of regulating, have the Bureau of Domestic Aviation survived by a lean Office of Essential Air Service. There could also be several smaller support functions as part of the CAA.

The insulation of international route authority would be guaranteed by having cases, when necessary, handled as at present, that is generally by an administrative law judge.

The ALJ's recommended decision would then be considered by three Presidential appointees in an open meeting with all the associated ex-parte procedures.

Those appointees would be the Administrator, Deputy Administrator of CAA and the Assistant Secretary of Transportation for Policy and International Affairs -- or equivalent level position -- all of whom are Presidential appointees with Senate confirmation.

Their decisions would only be subject to 801 Presidential review.

The decision-making panel -- known as the International Route Authority Panel (IRAP) would have similar authority in all the quasi-judicial matters outlined above including Section 401(g) and Part 213 authority.

The presence of the Assistant Secretary on the panel would assure that the Secretary's policy concerns were fully expressed.

This concept would build in necessary political insulation and give both the appearance and reality of fairness in route decisions.

It would also dilute the impact of any bias a single individual might have in making such valuable economic awards.

The contesting parties need to know they are being dealt with on the objective merits of their case.

This plan would also allow enough flexibility, so that as administrations change, and want to put their stamp on international aviation policy, they would have that opportunity through the appointment process.

The Office of Essential Air Service and other support functions that would be a part of the transferring functions of CAB as outlined in the Deregulation Act, would all be part of the new Civil Aeronautics Administration that would report directly to the Secretary of Transportation via the Administrator.

The CAB has been the one reservoir of talent in government that has had stability in aviation information functions.

Appointees come and go, but international aviation will always involve some form of regulation, negotiation and retaliation and there needs to be a talent bank available with a good knowledge of history.

The CAB has always been the information bank.

It is important that it is not decimated and this country not lose that valuable resource in the transfer.

The loss of this pool of knowledge could have adverse effects on our long-term aviation policies and relations with foreign countries.

With the changes and adjustments being made in shifting CAB over to DOT, I would recommend antitrust authority be transferred there for a 3-year period as well.

This would give time to make the adjustments necessary and allow for a settling period as the industry adjusts to the transfer.

This is a specific capsulization of how I envision CAB transferring and being integrated into DOT.

It's time to end the uncertainty of our transfer so those valuable employees at CAB, who are important to retain, will know there is a course charted for their future and that important resources of knowledge and talent won't be lost to this country.

Now is the time for the Congress to hold hearings, develop specific legislation to incorporate these ideas and others into a plan so we can get the show on the road.

STATE/LOCAL REGULATION OF TRANSPORTATION

Question: Although deregulation of the airline industry has ended the Federal Government control over ticket prices and market entry, the Government still has the authority to exempt airline mergers and acquisitions from existing antitrust laws. A recently released CAB report "Antitrust Policy for the Aviation Industry" calls for the Federal Government to also wash its hands of this authority. With the upcoming sunset of the CAB, is it possible that local or State Governments might begin regulating the air transportation system?

Answer: The Board's recommendation envisions that the Department of Justice and the Federal Trade Commission would have jurisdiction over airline mergers subject to the Clayton Act standards applied to unregulated industries. Section 105 of the Federal Aviation Act preempts the States from regulating that part of the air transportation system in interstate commerce. States may not regulate the rates, routes, or services of air carriers providing air transportation. This provision of the Act will continue after sunset.

State and local governments will only be able to regulate in ways that are not a burden on interstate commerce.

Federal government agencies that have jurisdiction over certain activities of unregulated industries such as mergers will simply take over the Board's functions.

AIRLINE MERGERS 1982-83

Question: What were the principal factors contributing to airline mergers in FY 1982 and so far in FY 1983?

Answer: Airlines pursue mergers and other corporate ventures that raise control issues under section 408 for a number of reasons. To some, acquisition of another carrier may seem like a relatively cheap way to expand their aircraft fleet or scope of operations. Also, during this period we have had activity relating to Braniff, such as the Latin American route transfer and attempts to create a joint venture with PSA.

DOWNWARD TREND IN MERGERS

Question: Airline Deregulation has been commonly perceived as a major culprit in the financial losses of many airlines which lead to an increase in merger activity. I would think that merger activity is difficult to predict because of the explosion in new carriers along with the changing economic and operating environment, including slot allocations, route leases, and other cooperative arrangements, all of which have contributed to the unsettled nature of the airline business under deregulation. And yet with all these uncontrollable elements, the CAB is predicting a continual downward trend in mergers (page 56). What support do you have for these estimates.

Answer: We do not agree with the predicate of this question. We do, however, agree that predicting activity under section 408 is difficult, and we may be proved wrong.

In the past we thought that merger activity would decrease as certificate authority ceased to have value.

When entry was restricted, acquisition of routes was a primary motivating factor for airline mergers.

However, merger activity has been relatively steady, with the motivating factors now being primarily acquisitions of facilities, aircraft and interest in foreign routes.

Yet, because of low costs of purchasing surplus jet airlines and because of the freedom of entry under deregulation, I believe there will be less emphasis on mergers rather than purchase of assets.

REDUCTION OF MERGERS

Question: Similar downward trends are shown for interlocking relationships and other agreements. What conclusions can be drawn from this projected reduction in merger activity? Has the airline industry entered a phase where combining companies is no longer economically or operationally desirable?

Answer: The decline of applications under section 409 can be anticipated because we recently proposed a rule exempting all but interlocks between two airlines from the requirement of prior Board approval. Interlocking relationships, in which officers or directors of one company sit on another airline's board of directors, generally do not pose the more difficult competitive issues of merger, and can be treated in a more summary fashion.

STUDIES OF MERGERS AND ANTITRUST MATTERS

Question: You have recently completed several studies related to mergers and antitrust matters. Briefly summarize the findings of those studies and provide additional detail for the record.

Answer: Under section 408, mergers, leases, or substantial acquisitions of assets between an air carrier and another air carrier, common carrier, or aeronautical firm cannot go forward without prior Board approval. Section 409 applies to interlocks involving these same areas.

The Board has tried to reduce unnecessary regulatory involvement by adopting rules that exempt different types of carriers from these rules. The exemptions mean that these transactions could be challenged under the antitrust laws and court procedures, if there were a competitive problem.

In the report entitled Antitrust Policy for the Aviation Industry, the Board recommended elimination of sections 408 and 409, which would complete the process of turning jurisdiction over to the courts. Since the Airline Deregulation Act, the Board has essentially been using Clayton Act analysis, which applied to unregulated industries. The report presents an extensive examination of the legal and economic basis of the Board's merger analysis. It concludes that there is no compelling need to retain special oversight of airline mergers.

Transferring section 408 to the Department of Justice would mean that they would have to review each and every transaction, using administrative procedures. Repeal of section 408 enables DOJ to challenge a particular merger, in court, but only when there was a competitive problem.

Sometimes, however, there may be a proposed merger or acquisition that raises foreign air transportation issues. We think this is a legitimate interest of the Board's successor. But this interest probably is not enough to justify retaining sections 408 and 409 because there are other ways to deal with this type of case. We recommended that DOT or the Board's successor have a statutory right to intervene in a court case and raise foreign policy objections. Also, section 401(h) which requires prior approval of foreign route transfers, will go to DOT. So a transaction involving foreign air transportatin would still be subject to a narrow form of supervision. While DOT would not be able to block a merger, it could take appropriate action to prevent unacceptable foreign transportation results.

The report alternatively recommended transferring this fucntion to DOT for administrative reasons if it is not repealed. This action would represent a judgment that an agency with special transportation expertise is better able to deal with the factual and legal issues in this kind of case. The Board will be reviewing these past recommendations in its sunset legislative proposals and these views may change.

Another report entitled The Consequences of Airline Mergers Since Deregulation was prepared in response to a Congressional directive. Compared to similarly situated carriers that did not merge, the carriers studied (Pan Am and Republic) did not experience unusual financial results.

Sales of aircraft were not motivated by merger related problems. While both laid off employees, other major airlines also furloughed employees.

Realignment of route systems after the mergers tended to parallel other carriers that basically were exiting from small communities. This gap was subsequently filled by other carriers so that some small commmunity service actually improved since deregulation.

Pan Am's loss of international market share was not due to the merger, but reflected the U.S. carrier trend during the post-1979 period as a larger portion of total traffic was foreign originating. Finally, the report concluded that the airline industry structure actually became less concentrated despite Board approval of a number of mergers.

EMERGENCY PREPAREDNESS LEGISLATION

Question: Last year when the CAB's role in emergency preparedness was discussed in the House (House Page 112) you indicated there would have to be some "clean-up" legislation to get this function transferred to either the Department of Transportation or the Federal Emergency Management Administration. What is the status of that legislation? Has the CAB made any attempts to draft legislation?

Answer : The CAB's role in emergency preparedness is assigned under Executive Order 11490, as amended and technically is not assigned by legislation. A transfer of the CAB's emergency preparedness functions assigned by the Executive Order would be handled by a letter of agreement between the CAB and the receiving agency. We recently met with representatives of the Department of Transportation (DOT) and the Federal Emergency Management Agency (FEMA) to discuss the need for the continuing requirement to maintain the emergency preparedness functions assigned to the CAB. It was agreed that these functions need to be continued and should be transferred to the DOT upon sunset of the CAB. The procedures for effectuating the transfer will be prepared by the CAB and the DOT and presented to the Director of FEMA for concurrence.

Provision for the transfer of these functions from the CAB to the DOT is included in a draft revision to Executive Order 11490 that is now under consideration by the Office of Management and Budget (OMB).

AIRLINE HUB INEFFICIENCIES

Question: An article in The New York Times (3/9/83) questions the efficiency of having major air carriers establish hub locations through which passengers are funnelled. The writer, a business school professor, suggests that hubs will cause airlines to loose money because more fuel is used in a spoke-hub-spoke network and such an operation is very prone to fare-wars because other carriers must offer below-cost fares to win customers to their hub network to fill empty seats. The professor says the only alternative is regulation of fares to prevent severe financial damage to carriers. What is the Board's opinion on hub networks being set up by the major carriers?

Answer: Contrary to the allegations of the business school professor, the increased importance of the hub-and-spoke operations is an important positive development of deregulation. There are not sufficient passengers traveling between most city-pairs to support non-stop service. Consequently, passengers travelling between cities like Savannah and Chicago or Fargo and Washington must generally make an intermediate stop enroute to their ultimate destinations. The need for passengers on lightly traveled routes to make connections also existed under regulation.

In exploring travel patterns in markets with more than 10 passengers per day, we found that the percentage that had to change planes enroute to their ultimate destinations has actually declined since deregulation. Between the second quarters of 1978 and 1981 the percentage of passengers that had to make connections decreased from 27.3 percent to 26.7 percent.

Although the proportion of passengers having to make connections remain substantial, an increasing percentage are able to make their trips on a single airline. Not changing airlines provides significant advantages to the connecting passenger. He is not only less likely to lose his baggage or miss a connection; he also avoids travelling between terminals at large airports like Atlanta or Chicago. Large hubs are generally the intermediate points for connecting passengers.

A statistical analysis performed by our Office of Economic Analysis shows that the more online connecting traffic on a given route, the greater the carrier's load factor. However, the amount of online traffic does not have a significant effect on fares. These findings seriously call to question the claim that hub-and-spoke operations are leading to financial damage of the carriers while the decrease in connecting service under deregulation suggests that hub-and-spoke operations is not increasing fuel use.

In regard to the professor's suggestion of a return to regulation, I have yet to meet a major airline president who would like to return to the Government telling him how to run his airline. They all feel they are best qualified to make decisions affecting their individual airline pricing.

EXPANSION OF HUB CONCEPT

Question: Is it true that once the hub concept expands in a very competitive market, travel becomes more circuitous, and more carriers lose money?

Answer: We do not believe that the expansion of the hub concept necessarily leads to more circuitous travel and the decline of carrier finances. As we note in the answer to the previous question, the growth of airline's hub operations is providing important gains in passenger convenience and efficiency savings. However, the growth of hubs in some cases gives passengers alternative routings to get between two points. Also in some cases, carriers provide connecting service in markets where non-stop service is also offered. Since this connecting service is less convenient, it is frequently priced below the non-stop service in the market. These are positive signs that the airline industry is operating efficiently and competitively.

In addition, the development and growth of one-stop hubs many times provides more direct service between two desired points than the old milk-run linear route system with four, five or six stops enroute to a final destination.

FUTURE FOR NON-HUB COMMUNITIES

Question: The Board's December 1982 report on airline service (pages 78-83) shows an unsettling pattern of reduced seat availability and departures in communities classified as nonhubs. Comparisons of the first six months of CY 1981 with CY 1982 would lead one to the conclusion that some cities are going to be without scheduled air service in the future. Aside from the dialogue on supply and demand, what does the future hold for nonhub communities?

Answer: There is no question that departures and seat availability have fallen at many small communities. We believe these declines can be attributed to three factors: the recession, the PATCO job action, and the changes in the fare structure, particularly the availability of discount fares at nearby medium and large hubs which are not obtainable at nonhubs.

For over two years now, air passenger traffic has been affected significantly by the general downturn in the economy. For example, in 1981 overall domestic passenger enplanements fell over 2 percent. Also, the walkout of the Professional Air Traffic Controllers Organization seriously disrupted the domestic air transportation system and many carriers were forced to reduce the number of flights they operated to large hub airports. Finally, there have been significant structural changes in fares since deregulation. In the last few years, carriers have offered deep discount fares at medium and large hubs that were not available to nonhub passengers. In addition, normal fares are often lower at large airports since traffic density makes lower fares possible. As a result, many travelers have found it cheaper to drive to a nearby medium or large hub and originate their trips there rather than at the local airport. Thus, a number of passengers have been diverted from nonhubs and, concomitant with the decline in traffic at the smaller cities, the incumbent carriers have reduced their operations accordingly.

With respect to the recession and the PATCO job action, we believe the effects of these two factors will be mitigated by a recovery in the economy and by the easing of slot restrictions at major hub airports. However, there is little we can do about the effects of the fare structure changes on traffic at nonhubs. As long as passengers find it to their economic benefit to drive to a larger airport to avail themselves of lower fares, there will always be some diversion of travelers from nonhub cities. To the extent that this suppresses demand at the small community, departures and seat availability will be reduced.

We should point out, however, that our essential air service program appears to be helping to protect small communities from the loss of service. A comparison of the number of points covered by the program that have lost all service since deregulation to the number of points not covered by the program that have lost all service supports this conclusion. Of the 203 small communities not covered by the program but receiving air service in 1978, 102 or 50 percent lost their service by 1982. On the other hand, all of the essential air service points except three have retained air service. Furthermore, at the points covered by the program flight frequencies have remained relatively constant as small aircraft have replaced large aircraft. We can expect this protection to continue until the end of the program in 1988.

CITIES RECEIVING SUBSIDIZED EAS

Question: Which cities are currently receiving subsidized essential air service and what is your projection in this regard through fiscal year 1984?

Answer: Listed below are the 95 communities currently receiving regular subsidized essential air service under rates established forone or two year periods. (There are also 27 points in the 48 states and 56 points in Alaska where hold-in rates are being paid or may be required.) We anticipate that by fiscal year 1984 the transition from the old 406 program to the new 419 program will have been completed in both the 48 states and Alaska, and the number of points under regular rates will be about 120 for the 48 states and territories and about 50 for Alaska.

POINTS RECEIVING ESSENTIAL SERVICE UNDER SUBSIDY RATES

Alabama
Gadsden

Alaska
Atka
St. George
Seward

Arizona
Kingman
Page
Prescott
Winslow

Arkansas
El Dorado/Camden
Jonesboro

California
Bakersfield
Blythe
Chico
Crescent City
Merced
Modesto
Santa Rosa
Stockton

Georgia
Athens
Brunswick
Moultrie

Illinois
Mt. Vernon

Indiana
Kokomo

Iowa
Clinton
Ft. Dodge
Mason City
Ottumwa

Kentucky
London/Corbin

Maine
Lewiston/Auburn

Massachusetts
New Bedford

Michigan
Jackson
Sault Ste. Marie

Minnesota
Fairmont
Mankato
Worthington

Mississippi
Greenwood
Natchez
University/Oxford

Missouri
Kirksville

Montana
Glasgow
Glendive
Havre
Lewiston
Miles City
Sidney
Wolf Point

Nebraska
Alliance
Chadron
Columbus
Hastings
Kearney
McCook
Norfolk
Sidney

Nevada
Elko
Ely

New Hampshire
Berlin

New Mexico
Carlsbad
Gallup
Hobbs
Roswell
Santa Fe
Silver City

New York
Massena
Ogdensburg
Plattsburgh
Saranac Lake
Watertown

North Carolina
Rocky Mount

North Dakota
Devils Lake
Jamestown
Williston

Oklahoma
Enid
McAlester
Ponca City
Stillwater

Oregon
North Bend
Salem

Puerto Rico
Ponce

Tennessee
Clarksville

Texas
Paris

Utah
Cedar City

Vermont
Montpelier/Barre
Newport

Virginia
Danville
Hot Springs

Washington
Moses Lake
Wenatchee

West Virginia
Elkins

Wisconsin
Manitowoc

CARRIERS RECEIVING SUBSIDIES FY 1983

Question: Distinguish between the types of section 419 subsidies which are being paid out and how much each carrier is currently receiving under this subsidy.

Answer: There are basically two types of 419 subsidies. First there are regular prospective rates which are established as part of the process of selecting from among competing applications to provide subsidized essential service.

Second there are hold-in subsidies which are designed to compensate for the losses incurred by carriers which have filed notice to suspend service but are held-in by the Board beyond the notice period pending the commencement of replacement service. Upon application of the carrier being held-in the Board will provide an interim hold-in rate which is subject to final adjustment after the hold-in period is over. In cases where 419 subsidies are already being paid, hold-in compensation continues at existing rates and is not subject to retroactive adjustment.

Listed below are the amounts of regular and hold-in subsidies paid to carriers during the first quarter of fiscal 1983.

419 Payments to Air Carriers
October 1 - December 31, 1982

Regular 419 Rates	
Carrier	Amount
AAA Enterprises	$142,969
AeroMech	85,877
Air Chapparral/ Inland Empire	207,757
Air Kentucky	131,998
Air Midwest	223,946
Air Vermont	71,883
American Central	232,188
Atlantic Southeast	99,873
Bar Harbor	76,408
Big Sky	1,055,375
Cascade	116,249
Clinton Aero	485,141
Colgan	53,597
Custom Aviation	108,134
Direct Air	71,167
Golden Pacific	72,244
Golden West	34,271
Green Hills	85,529
Mesaba	$353,831
Metro	264,829
Mid South	126,746
Peninsula	73,995
Pioneer	401,514
Precision Valley	60,238
Provincetown-Boston	104,609
Puerto Rico (Prinair)	57,953
Rio	32,499
Royale	95,153
Scheduled Skyways	17,552
Simmons	163,738
Sky West	272,950
Southeastern	72,255
Sunbelt (formerly Jamaire)	98,790
Sun West	118,223
West Air	124,576
Total	$5,794,057

419 Payments to Air Carriers
October 1 - December 31, 1982 -- Continued

Hold-in Subsidies	
Carrier	**Amount**
Air Midwest	$532,324
Air US	204,622
Alaska Air Lines	1,017,291
Aspen	522,245
Continental/Air Micronesia	65,021
Eagle Commuter	25,391
Horizon Airline Inc.	121,057

Hold-in Subsidies	
Carrier	**Amount**
Kodiak-Wester Alaska	$61,962
Ozark	208,469
Republic	130,771
Sky West	107,045
Wien Air Alaska	752,385
Western	106,900
Total Hold-In	$3,855,213

SUBSIDY PER PASSENGER BY CARRIER FY 1982

Question: Provide data for the record which shows the subsidy per passenger in essential air service markets by air carrier for 1982 and what percentage of the coach fare the subsidy constitutes.

Answer: Comparison of subsidies and fares are best done on a quarterly basis because of changing fare levels. The most recent information we have compiled is by case (which sometimes involves more than one point) for the quarter ended June 30, 1982, and is shown below. Cases where traffic data was not available are excluded.

Carrier/Point	Actual Compensation Per Passenger	
	2nd Qtr. 1982	% of Coach Fare (2nd Qtr. 1982
Clinton Aero-New York Points	$99.56	165.03%
Big Sky-Montana Points	67.68	68.41
Sky West-Elko, Ely, Nev.	41.41	54.00
Pioneer-So. Nebraska Points	55.10	62.63
American Central-Clinton, Ottumwa, Iowa	96.39	117.84
Mesaba-Fairmont,Mankato, Worthington, Minn.	71.31	104.74
Metroflight-Enid, Ponca City, Stillwater, Okla.	92.27	210.18
Air Midwest-Carlsbad, Hobbs, Roswell, N.M.	14.34	14.95
AAA Air Enterprises-Yankton, S.D., Norfolk, Neb.	89.76	166.69
Simmons-Jackson, Mich.	100.31	140.10
Metroflight-McAlester, Okla., Paris, Tx.	87.48	128.27
PBA-New Bedford, Mass.	9.60	20.69
Pioneer-Alliance, Chadron, Sidney, Neb.	36.61	44.95
Newair-Catskills, N.Y.	271.08	511.47
Royale-Natchez, Miss.	117.58	173.22
Green Hills-Kirksville, Mo.	122.36	194.78
Mid-South-Rocky Mt./Wilson, N.C.	79.79	158.22
WestAir-Chico, Cal.	6.47	13.69
Bar Harbor-Lewiston/Auburn, Me.	83.01	130.38
Simmons-Manitowoc, Wisc.	83.31	101.18
Atlantic Southeast-Moultrie/Thomasville, Ga.	149.19	169.53
Direct Air-Kokomo, Ind.	119.09	183.22
Golden Pacific-Kingman, Prescott, Ariz.	81.23	171.48
WestAir-Santa Rosa, Cal.	32.08	77.00
Cascade-Moses Lake/Ephrata, Wash.	58.32	93.70
Scheduled Skyways-El Dorado/Camden, Ark.	19.87	48.80
Sun West-Gallup, N.M.	34.61	40.89
Precision Valley-Montpelier/Barre, Vt.	38.65	57.69
Mid-South-Danville, Va.	162.67	236.23
Pioneer-Santa Fe, N.M.	18.50	18.88
Air Midwest-Silver City, N.M.	31.95	32.27
Cascade-Wenatchee, Wash.	4.95	10.09
Atlantic Southeast-Brunswick, Ga.	16.80	18.67
WestAir-Crescent City, Cal.	40.13	48.53
Cascade-Astoria/Seaside, Ore.	121.59	264.33
Rio-Jonesboro, Ark.	16.10	41.28
Golden West-Bakersfield-SFO	4.59	5.88
Sunbelt-University/Oxford, Greenwood, Miss.	48.32	172.14
Big Sky-Jamestown, Devils Lake, N.D.	181.66	193.58
Aspen-W. Yellowstone, Mont.	38.90	42.28
Weighted Average	37.14	

SUBSIDY-FREE AIR SERVICE

Question: What more can be done in this regard?

Answer: Unless some kind of local economic developments -- new industries, energy discoveries etc. -- take place which increase basic traffic potential, there is not much the essential air service program, by itself, can do except in a handful of cases. The EAS program was designed to maintain air service; it is not an economic development scheme.

However, recent traffic declines at communities should be reversed as the general economy improves and as the communities begin to respond to the reliable replacement service which is maintained through subsidy support. However, at points that are within easy driving distance of larger airports the cost of maintaining air service will likely continue to be quite high.

CRITERIA FOR SELECTING CARRIERS

Question: The Essential Air Service Program will transfer to the Department of Transportation at the sunset of the Board and continue until its statutory termination date - October 27, 1988. The basic thrust of EAS is to satisfy actual daily passenger demands with a sufficient number of daily seats between required destinations at least cost. What other service quality criteria does the Board use in selecting carriers? Are other determinants such as fleet aircraft or on-time service used in Board selection studies?

Answer: In selecting a carrier to provide subsidized essential air service to a community, the Board uses many criteria in its carrier selection cases including: proposed service patterns, carrier experience, carrier equipment, financial and operational capability of applicants, transitional risk, subsidy requirement and community views.

In evaluating the service patterns of competing applicants, we look first to see that the essential air service needs of the community will be satisfied. If the proposals meet this test, we examine the schedules the carriers propose to determine whether they are conveniently timed to meet connecting flights at the hub. In accordance with section 419 of the Airline Deregulation Act, we consider "the experience of the applicant in providing scheduled air service in the vicinity of the communities" by evaluating the relative experience of the competing carriers in order to minimize the possibility that an air carrier will encounter problems operating in the area. We also compare the equipment type which each applicant proposes to operate to determine if one type is more appropriate for the route at issue. Another criteria deals with the financial and operational reliability of the applicants. An audit staff helps in this by making on-site audits of carriers to examine their financial records. Also, if the applicant is a new carrier or unknown to us, the Board's staff visits the carrier's headquarters to perform an operational inspection looking into such areas as maintenance, reservations, station operations, flight operations and marketing as well as the experience and expertise of the company's management. We also ask the carrier to supply us with information on its system on-time performance, fuel availability, back-up aircraft and the availability it has of providing a sufficient number of slots at the hub airport.

The Board must also consider what effect, if any, there will be on a community of the transition from one carrier to another. In some cases, a change could be disruptive and have an adverse impact on traffic. In others, we have found that a new carrier may introduce techniques which increase demand. The cost to the Federal Government, of course, is an important criteria. The Board's goal is to provide the best service at the lowest cost to the taxpayer. Since we are concerned with service quality at a community, this may mean that we will select the carrier with a higher subsidy than another if we believe the more costly carrier will provide a superior service. Finally, the views of the community play a significant role in our decisional role. The Board attempts to select the carrier that is preferred by the community.

CARRIER PERFORMANCE EVALUATION

Question: Are passengers given any assurance that service quality will be maintained as carriers are replaced? Please explain how carrier performance is evaluated.

Answer: The method we use in evaluating a replacement carrier, even where subsidy is not involved, employs many of the same criteria we apply in carrier selection cases, namely, service patterns, equipment, financial and operational capabilities and past performance in providing commuter service.

When an incumbent carrier files to suspend service at a point, before the Board will permit the suspension, we examine the capabilities of the replacement carrier to provide reliable essential air service.

Even if the replacement carrier proposes to provide the service subsidy-free, we do not accept this assertion at face value.

We schedule a rate conference with the carrier to assure ourselves and the community that the carrier can, in fact, perform the service without Federal assistance. In addition, we require the carrier to submit the schedules it proposes to operate to confirm that an essential level of service will be maintained.

The equipment of the replacement carrier must meet the Board's minimums of two pilots, two engines and convenient cabin entry. Finally, we will not permit a replacement to occur, even on a non-subsidized basis, if we are not satisfied that the new carrier can be relied on for dependable and professional service. This is determined by conducting on-site financial and operational inspections of the replacement carrier.

Once the transition to the replacement carrier has been completed, we monitor the carrier's performance at the community through the field offices maintained by our Office of Congressional, Community and Consumer Affairs, through the airport managers at the community and through state aviation officials.

We usually rely on feedback from the communities on how well the service is being provided.

If complaints are filed, we investigate the problems and take whatever steps are necessary to ensure that the service meets both our quantity and quality requirements for essential air service. Our initial response usually consists of contacting the carrier, investigating the nature and extent of the problem and seeking the carrier's cooperation in taking necessary corrective steps. If the problem persists, affecting the essential air service for the community, we will initiate enforcement action against the carrier.

ESSENTIAL AIR SERVICE STAFF

Question: What will happen to the CAB staff that now works with community assistance, small community essential air service and Section 419 subsidy when sunset arrives? Has provision been made for transfer of these employees to DOT? How many transfers are planned? Will any reduction in force be necessary?

Answer: The community assistance, small community essential air service and Section 419 subsidy functions are transferred by the Airline Deregulation Act of 1978 to the Department of Transportation on January 1, 1985. The employees working in these functions have a statutory right to transfer with them. We are fully prepared to accomplish these transfers in a correct and orderly manner and have informed employees of the procedures which will be followed in doing so. While accurate predictions are difficult, we estimate approximately 160 employees will be transferred with these functions, including those involved in providing the information required to carry out the functions and administrative support personnel.

Employees not working in a transferring function at sunset will be separated by a reduction in force.

To minimize the number of employees that would be separated, we have maintained an almost complete freeze on hiring for over two years, reassigned employees from functions being abolished to critical vacancies in transferring functions, and assisted employees in finding jobs elsewhere. While we will continue these efforts, we still expect some of our employees will have to be separated at sunset.

SUBSIDY PER PASSENGER FORECAST LEVELS

Question: Please provide for the record tables which compare the forecast level of subsidy per passenger to actual subsidy per passenger for each quarter of fiscal year 1982.

Answer: The compilation of this data is not yet completed for the last quarter of fiscal 1982. The table below shows the requested data where available for the first three quarters of fiscal 1982.

			Actual Compensation per Passenger	
Carrier/Point	Forecast Per Psgr.	2nd Qtr. 1982	1st. Qtr. 1982	4th Qtr. 1981
Clinton/Aero-New York Points	$70.09	$99.56	-	-
Big Sky-Montana Points	44.56	67.68	$53.55	$47.08
Sky West-Elko, Ely, Nev.	44.34	41.41	-	-
Pioneer-So. Nebraska Points	50.88	55.10	74.80	68.48
American Central-Clinton, Ottumwa, Iowa	79.21	96.39	-	-
Mesaba-Fairmont, Mankato, Worthington, Minn.	43.89	71.31	59.72	66.80
Metroflight-Enid, Ponca City, Stillwater, Okla.	142.38	92.27	82.46	98.60
Air Midwest-Carlsbad, Hobbs, Roswell, N.M.	29.09	14.34	-	-
AAA Air Enterprises-Yankton, S.D., Norfolk, Neb.	69.04	89.76	-	-
Simmons-Jackson, Mich.	35.59	100.31	111.51	118.61
Metroflight-McAlester, Okla., Paris, Tx.	69.95	87.48	122.50	93.60
PBA-New Bedford, Mass.	38.25	9.60	35.65	31.00
Pioneer-Alliance, Chadron, Sidney, Neb.	26.84	36.61	40.23	42.30
Newair-Catskills, N.Y.	60.32	271.08	494.28	-
Royale-Natchez, Miss.	126.25	117.58	132.23	125.97
Green Hills-Kirksville, Mo.	126.61	122.36	143.12	120.06
Mid-South-Rocky Mt./Wilson, N.C.	42.49	79.79	21.36	25.11
WestAir-Chico, Cal.	10.94	6.47	10.05	12.14
Bar Harbor-Lewiston/Auburn, Me.	52.83	83.01	130.36	96.54
Simmons-Manitowoc, Wisc.	77.63	83.31	-	-
Atlantic Southeast-Moultrie/Thomasville, Ga.	32.79	149.19	229.38	243.36
Direct Air-Kokomo, Ind.	113.33	119.09	157.98	117.86
Golden Pacific-Kingman, Prescott, Ariz.	93.66	81.23	-	-

Carrier/Point	Forecast Per Psgr.	2nd Qtr. 1982	Actual Compensation per Passenger 1st. Qtr. 1982	4th Qtr. 1981
WestAir-Santa Rosa, Ca.	$25.09	$32.08	$28.20	$26.22
Cascade-Moses Lake/ Ephrata, Wash.	83.53	58.32	23.88	-
Scheduled Skyways-El Dorado/Camden, Ark.	18.17	19.87	59.58	-
Sun West-Gallup, N.M.	21.81	34.61	39.35	32.64
Precision Valley-Montpelier/Barre, Vt.	13.99	38.65	10.82	15.87
Mid-South-Danville, Va.	85.30	162.67	72.77	59.78
Pioneer-Santa Fe, N.M.	25.73	18.50	42.02	31.63
Air Midwest-Silver City, N.M.	21.73	31.95	31.22	37.63
Cascade-Wenatchee, Wash.	11.16	4.95	9.11	7.83
Atlantic Southeast-Brunswick, Ga.	7.67	16.80	32.63	30.93
WestAir-Crescent City, Cal.	13.30	40.13	34.60	55.27
Cascade-Astoria/Seaside, Ore.	109.99	121.59	98.06	90.61
Rio-Jonesboro, Ark.	13.92	16.10	18.56	16.34
Golden West-Bakersfield-SFO	3.64	4.59	3.67	-
Sunbelt-University/ Oxford, Greenwood, Miss.	16.37	48.32	55.40	48.56

SUPPLEMENTAL FOR 419 SUBSIDIES

Question: The Board requested $48.4 million for section 419 subsidies in FY 1983. Do you expect to request supplemental funds this year for that program in addition to the $50.8 million in your FY 1984 budget?

Answer: There is the possibility that a supplemental request for FY 1983 will be necessary. Our original FY 1983 request for $48.4 million assumed Congress ~~would~~ terminate the 406 subsidy program. However, Congress continued the program to a limited extent by authorizing $13.5 million for certain 406 operations. Because of this additional program, we will almost surely use up the $48.4 million authorization and the $4.9 million carryover from FY 1982.

CARRIER REQUIRING LOWER COMPENSATION

Question: In light of the "bumping" provision in Section 419 wherein a given carrier who has been in at an eligible point for two years may be replaced by another carrier requiring a lower compensation, there appears to be a potential for "buying in" to markets by taking a loss for two years and then applying for higher compensation later. This may on the surface look like a bargain for the Government. However, disruption to the community and additional administrative burdens on the CAB would certainly be counterbalances. What experiences has the Board had with carriers attempting to corner markets by requesting artificially low (or even no) subsidies?

Answer: Early in the essential service program we gained the painful experience of accepting zero subsidy or low subsidy proposals in two or three cases. The consequence was a carrier quickly coming back to us for more subsidy. Since that time we have instituted procedures for selecting carriers which considers this problem and these procedures will be applied in bumping cases as provided for in Part 326 of the Board's Procedural Regulations adopted in January of this year.

After an application of a carrier to bump an incumbent carrier is filed with the Board and the answer and reply periods have elapsed, rate conferences are held with the applicant and the incumbent carrier, if it has filed a counter proposal, to determine the reasonableness of the compensation requested by each carrier.

At these rate conferences, the Board's staff goes over the subsidy proposal of each carrier in considerable detail examining the basis of the carriers' revenue and expense projections. Our staff has conducted numerous rate conferences of this kind over the last four years and have accumulated considerable knowledge and background into the various costs of aircraft types as well as traffic histories and revenue calculations.

At these rate sessions, therefore, the staff has a good idea as to whether the subsidy need forecast by the applicant (and the incumbent) is reasonable. At the end of the rate conference, each carrier is required to sign a rate agreement setting forth the amount of subsidy it agrees to accept for providing essential air service at the point.

This amount is not subject to further negotiation. Sometimes our staff cannot reach an agreement with the applicant. In this case the full Board is advised of the problem with the applicant's subsidy proposal.

After reviewing the bumping proposals and completing the conferences, the Board will take one or more of the following actions: issue an order to show cause proposing to grant the application; deny the application if it fails to meet certain Board criteria described below; or, set the application for an oral evidentiary hearing if certain facts are in dispute.

Under the Board's decisional standards, set forth in the bumping rule, an application would be granted and a change of carriers at the community would occur if one of the following conditions is met:

(1) the applicant carrier would provide a substantial improvement in service with no increase over the incumbent carrier's subsidy rate, or

(2) the applicant carrier would provide the same or better quality service at a substantial decrease in subsidy. The Board considers a substantial

decrease to be at least $50,000 or 10 percent of the incumbent's subsidy rate, whichever is higher.

The Board would, of course, reject any bumping application if it concludes that the carrier's projected subsidy savings to the Government is unrealistic.

Up to this point, no completed bumping applications have been filed with the Board.

NEW CARRIERS CERTIFICATED

Question: Please provide for the record a list of new carriers certified during calendar year 1982.

Answer: The following carriers were certificated for domestic scheduled service in calendar 1982:

Carrier		Route No.	Order No.
Air Atlanta, Inc.	Atlanta, GA	342	82-6-90
Air Niagara, Inc.	Niagara Falls, NY	349	82-8-66
Airpac, Inc.	Dutch Harbor, AK	341	82-6-88
Air Polynesia, Inc.	Honolulu, HI	357	82-10-20
Artic Circle Air Service, Inc.	Fairbanks, AK	355	82-9-99
Arrow Airways, Inc.	Miami, FL	343	82-6-161
Best Airlines, Inc.	Florence, KY	335	82-4-63
Cape Smythe Air Serv. Inc.	Barrow, AK	331	82-3-40
Channel Flying, Inc.	Juneau, AK	334	82-4-9
DHL Cargo, Inc.	Honolulu, HI	357	82-10-20
Harold's Air Service	Galena, AK	330	82-2-106
Hawaii Express Inc.	Honolulu, HI	348	82-8-40
Hermans Air, Inc.	St. Mary's AK	332	82-3-82
Houston Airlines, Inc.	Houston, TX	346	82-7-118
Lone Star Airways	Dallas, TX	352	82-9-10
Midwestern Airlines, Inc.	Okemos, MI	347	82-8-31
Northeastern International Airways, Inc.	Ft. Lauderdale, FK	344	82-7-63
Pacific East Air, Inc.	Newport Beach, CA	340	82-5-154
Premiere Airlines	Manhattan Beach, CA	337	82-5-11
Southcentral Air, Inc.	Kenai, AK	338	82-5-71
Sunworld International Airways, Inc.	Phoenix, AZ	328	82-1-88
Trenton Hub Express Airlines	Flemington, NJ	339	82-5-74
Tyee Airlines	Ketchikan, AK	333	82-3-106
United Air Carriers, Inc.	Jamaica, NY	356	82-9-88
Valdez Airlines	Anchorage, AK	345	82-7-80
Yute Air Alaska	Dillingham, AK	351	82-8-94

Charter Air Carriers

Name	Home Office	Order No.
Eagle Aviation	Houston Tex.	82-7-21
Star Airlines	Minneapolis, Minn.	82-6-147

All-Cargo Air Carriers

Name	Home Office	Order No.
Air Continental, Inc.	Elyria, Ohio	82-1-33
Air National Aircraft Sales and Service, Inc.	San Jose, Cal	82-6-84
Hawkins & Powers Aviation, Inc.	Greybull, Wyo.	82-2-34
Southeast Air Cargo, Inc.	Miami, Fla,	82-2-43
Basset and Tesini, Inc. (Amerjet Internatinal)	Ft. Lauderdale, Fla.	82-2-50
Western Pacific Express, Inc.	Los Angeles, Cal.	82-10-79
Arista International	New York, N.Y.	82-7-54
Challenge Air Transport	Miami, Fla.	82-5-83

The following were certificated for international scheduled service:

Action Air Cargo Corp.
Arista International Airlines
Arrow Airways
Challenge Air Transport
Lone Star Airways 1/
United Air Carriers
Yukon Air Service

1/ Certificate issued but not effective pending compliance with financial condition.

SPECIAL SUBSIDIES

Question: Congress provided $13.3 million in FY 1983 to cover payments to carriers under the expired 406 program. The limit is inviolate and all carriers are to share equally in a percentage reduction in payments to ensure that the overall total does not exceed $13.5 million. We are now approaching the midway point of FY 1983. What is the Board's judgement of the year's expenditures for these special subsidies? Provide a list for the record showing carriers which will convert to the 419 subsidy in FY 1983?

Answer: We will spend the entire $13.5 million. Congress directed the Board to continue existing 406 rates but limit total payments for the year to $13.5 million. The continuation of full 406 rates would result in annual subsidy payments of $23.9 million, so the Board has reduced payments by nearly 50 percent to stay within the ceiling. However, even if the carriers begin to drop services during the second half of FY 1983, they will still be entitled to the $13.5 million as long as the three eligible carriers continue service to about one-half to one-quarter of the points.

We do not anticipate that the three carriers now under the special program--Republic, Frontier and Piedmont--will participate in the 419 program. At the end of FY 1983, they will probably stay at some special subsidy points with no federal support and will turn other points over to commuter carriers.

U.S. INTERNATIONAL PASSENGER TRAFFIC

Question: Please provide for the record an update on the information supplied for last year's hearing on total United States International Passenger Traffic, including 1982, for the Atlantic, North Pacific, Oceania and Other areas.

Answer: See attached table.

Total United States International Passenger Traffic
By Flag Of Carrier, Market Share, And Citizen/Alien Paticipation
Calendar Years 1976 - 1982
(In Thousands)

	1976	1977	1978	1979	1980	1981	1982
Atlantic							
No. of Passengers	10,935	12,080	13,758	14,877	15,313	15,562	15,111
U.S. Flag	4,888	5,484	6,040	6,576	6,447	6,380	6,785
Foreign Flag	6,047	6,596	7,718	8,301	8,866	9,182	8,326
Flag Share (%) US/Foreign	44.7/55.3	45.4/54.6	43.9/56.1	44.2/55.8	42.1/57.9	41.0/59.0	44.9/55.1
% Citizens/Aliens	60.8/39.2	62.4/37.6	58.4/41.6	52.7/47.3	48.2/51.8	46.9/53.1	51.9/48.1
Middle America							
No. of Passengers	4,211	4,203	5,247	6,343	6,922	7,345	6,066
U.S. Flag	2,354	2,320	2,933	3,635	3,731	4,091	3,185
Foreign Flag	1,857	1,883	2,314	2,708	3,191	3,254	2,881
Flag Share (%) US/Foreign	55.9/44.1	55.2/44.8	55.9/44.1	57.3/42.7	53.9/46.1	55.7/44.3	52.5/41.5
% Citizens/Aliens	56.8/43.2	61.4/38.6	60.9/39.1	58.7/41.3	54.8/45.2	51.0/49.0	56.4/43.6
Caribbean							
No. of Passengers	5,263	5,377	6,077	6,846	6,856	6,859	7,313
U.S. Flag	3,389	3,592	4,157	4,648	4,737	4,794	5,185
Foreign Flag	1,874	1,785	1,920	2,198	2,119	2,065	2,128
Flag Share (%)US/Foreign	64.4/35.6	66.8/33.2	68.4/31.6	67.9/32.1	69.1/30.9	69.9/30.1	70.9/29.1
% Citizens/Aliens	71.4/28.6	70.5/29.5	70.3/29.7	67.9/32.1	66.5/33.5	64.3/35.7	65.0/35.0
Latin America							
No. of Passengers	1,764	1,984	2,345	2,820	3,343	3,448	3,222
U.S. Flag	688	817	1,032	1,266	1,488	1,514	1,344
Foreign Flag	1,076	1,617	1,313	1,554	1,855	1,934	1,878
Flag Share (%)US/Foreign	39.0/61.0	41.2/58.8	44.0/56.0	44.9/55.1	44.5/55.5	43.9/56.1	41.7/58.3
% Citizens/Aliens	38.7/61.3	38.1/61.9	34.6/65.4	30.3/69.7	26.5/73.5	25.4/74.6	25.2/74.8

	1976	1977	1978	1979	1980	1981	1982
Far East							
No. of Passengers	3,214	3,283	3,641	4,423	4,925	5,286	5,446
U.S. Flag	1,411	1,435	1,504	1,955	2,039	2,062	2,140
Foreign Flag	1,803	1,848	2,137	2,468	2,886	3,224	3,306
Flag Share (%)U.S./Foreign	43.9/56.1	43.7/56.3	41.3/58.7	44.2/55.8	41.4/58.6	39.0/61.0	39.3/60.7
% Citizens/Aliens	30.3/69.7	31.5/68.5	29.9/70.1	27.2/72.8	27.1/72.9	27.8/72.2	29.4/70.6
Oceania							
No. of Passengers	834	877	970	1,149	1,220	1,272	1,302
U.S. Flag	407	437	453	583	588	618	591
Foreign Flag	427	440	517	566	632	654	711
Flag Share (%) U.S./Foreign	48.8/51.2	49.8/50.2	46.7/53.3	50.7/49.3	48.2/51.8	48.6/51.4	45.4/54.6
% Citizens/Aliens	40.1/59.9	40.2/59.8	42.1/57.9	39.6/60.4	39.2/60.8	40.8/59.2	41.6/58.4
Middle East							
No. of Passengers	329	432	533	635	611	671	721
U.S. Flag	53	96	116	168	211	234	251
Foreign Flag	276	336	417	467	400	437	470
Flag Share (%) U.S./Foreign	16.0/84.0	22.3/77.7	21.8/78.2	26.5/73.5	34.5/65.5	34.9/65.1	34.8/65.2
% Citizens/Aliens	70.1/29.9	66.5/33.5	58.9/41.1	56.4/43.5	59.3/40.7	56.4/43.6	56.7/43.3
Africa							
No. of Passengers	186	219	232	254	289	310	318
U.S. Flag	126	142	135	121	123	122	135
Foreign Flag	60	77	97	133	166	188	183
Flag Share (%) U.S./Foreign	67.8/32.2	64.7/35.3	58.1/41.9	47.8/52.2	42.6/57.4	39.2/60.8	42.6/57.4
% Citizens/Aliens	71.5/28.5	65.5/34.5	61.6/38.4	56.5/43.5	49.2/50.8	46.5/53.5	48.2/51.8
Total							
No. of Passengers	26,736	28,457	32,803	37,348	39,478	40,753	39,499
U.S. Flag	13,315	14,342	16,369	18,935	19,344	19,806	19,592
Foreign Flag	13,421	14,115	16,434	18,413	20,134	20,947	19,907
Flag Share (%) U.S./Foreign	49.8/50.2	50.4/49.6	49.9/50.1	50.7/49.3	49.0/51.0	48.6/51.4	49.6/50.4
% Citizens/Aliens	56.6/43.4	57.9/42.1	55.7/44.3	52.5/48.5	48.0/52.0	46.2/53.8	49.5/50.5

NOTE: Includes scheduled and charter commerical air travel.
Excludes U.S.-Canada Traffic.

SOURCE: Immigration and Naturalization Service.

OPERATING/NET RESULTS OF U.S. INTERNATIONAL AIRLINES 1982

Question: Please show for the record the financial results for each major U.S. international airline by operating entity for the year ending December 31, 1982 and explain the results, including the impact of Braniff's bankruptcy.

Answer: The operating net results for calendar year 1982 for the international entities of U.S. majors based on preliminary data reported to the Board are:

Carrier	Operating Profit or (Loss) ($ Millions)			
	Total International	Atlantic	Latin	Pacific
American	6.6	(2.7)	9.3	-
Braniff	0.0	(0.1)	0.1	-
Continental	N.A. 1/	-	N.A. 1/	N.A. 1/
Delta	8.5	10.1	(1.6)	-
Eastern	2.2	-	2.2	-
Northwest	18.1	(11.1)	-	29.2
Pan American	(91.4)	(27.9)	1.6	(65.1)
Trans World	104.5	104.5	-	-
Western	(6.6)	-	(6.6)	-
Total	42.0	72.8	5.1	(35.9)
	Net Income or (Loss) ($ Millions)			
American	2.7	(1.4)	4.1	-
Braniff	(2.2)	(0.4)	(1.8)	-
Continental	N.A. 1/	-	N.A. 1/	N.A. 1/
Delta	5.6	6.0	(0.4)	-
Eastern	(6.8)	-	(6.8)	-
Northwest	10.9	(5.4)	-	16.3
Pan American	(199.6)	(81.3)	(29.9)	(88.4)
Trans World	75.0	75.0	-	-
Western	(8.1)	-	(8.1)	-
Total	(122.6)	(7.6)	(42.9)	(72.1)

1/ Not available

While the total international operations of the majors reflected an operating profit for 1982, nonoperating expenses, namely interest expenses, produced net losses for the third straight year. The bankruptcy of Braniff had a negligible impact on the total results.

AIR CARRIER NET PROFITS/LOSSES

Question: What has been the recent history of U.S. international air carrier net profits and losses in the Atlantic, Pacific and Latin America over the past five years?

Answer: The operating and net results for the international operations of the U.S. majors by entity for the past five years are:

	Operating Profit or (Loss) ($ Millions)			
Calendar Year	Total International	Atlantic	Latin	Pacific
1978	324.2	77.7	119.9	126.6
1979	86.4	(16.2)	43.8	58.8
1980	(195.1)	(116.2)	(15.3	(63.6)
1981	(154.2)	(79.6)	(25.5)	(49.1)
1982*	42.0	72.8	5.1	(35.9)
	Net Income or (Loss) ($ Millions)			
1978	301.2	93.5	92.2	115.8
1979	97.5	3.6	29.3	64.6
1980	(230.8)	(127.9	(34.0)	(68.9)
1981	(143.1)	(33.9)	(34.3)	(74.9)
1982*	(122.6)	(7.6)	(42.9)	(72.1)

* Based on preliminary data.

SIGNIFICANT INTERNATIONAL CASES 1983-84

Question: What are the significant international negotiations, operating authority, and the pricing cases anticipated in Fiscal Year 1984 and the remainder of Fiscal Year 1983?

Answer: Negotiations are anticipated during the remainder of Fiscal Year 1983 with Costa Rica, Canada, Brazil, Venezuela, Argentina, Peru, Netherlands Antilles, Italy, Germany, France, Ireland, Portugal, Spain, United Kingdom, Scandinavia, European Civil Aviation Conference (ECAC), The Netherlands, Romania, Israel, Australia and Egypt.

During Fiscal Year 1984 we anticipate negotiations with Argentina, Brazil, Ecuador, Colombia, Panama, Peru, Dominican Republic, Jamaica, Trinidad and Tobago, China, Japan, Thailand, South Korea, Australia, New Zealand, Philippines, Sri Lanka, Saudi Arabia, Egypt, Israel, Lebanon, The Netherlands, Germany, Ireland, Switzerland, France, United Kingdom, and ECAC.

During the remainder of Fiscal Year 1983 and in Fiscal Year 1984 the CAB expects to award new certificate route authority to U.S. carriers serving Canada, Mexico and the United Kingdom. In late Fiscal Year 1984 the Board will begin to establish procedures for reviewing the extensive temporary route authority awarded U.S. carriers in the Transatlantic Route Proceeding and in other international route cases where temporary experimental certificates were issued for limited entry markets. These temporary certificates begin to expire in January, 1985.

The Board's new route case agenda depends extensively on the outcome of the various aviation negotiations that will be held with other countries over the next 18 months. It is CAB practice to institute promptly route award hearing procedures after new route rights for U.S. carriers have been negotiated.

It is not possible to anticipate formal pricing cases which arise from the tariff filing process and generally result from complaints filed against a tariff by a competing carrier or a civic party. Although each international rate suspension order typically orders an investigation of the fares at issue, in almost every case the fares under suspension are withdrawn by the initiating carrier and the matter never proceeds to investigation.

IMPACT OF OIL PRICE DECLINE

Question: Oil prices have been driven down by reduced demand and oversupply. What impact are the lower prices having on fares and profits?

Answer: The following table shows by quarter the change in fuel prices, average fare per mile (yield) and operating profits between 1982 and the year earlier period. For the system majors, fuel prices declined substantially after the first quarter. Average fares declined as well, while operating profits posted some improvement. The large gain in profits in the third quarter of 1982 is misleading because profits in 1981 were depressed due to the PATCO strike. The decline in fuel prices seemed to have an effect on both. However, profits for the carriers domestic operations declined in 1982. As the economy recovers and with it demand for air travel, we expect that any further decline in fuel prices will have a larger effect on industry profits.

It is very important to note that a one-cent change in fuel prices represents approximately $90 million a year cost or savings to the industry.

Changes in Fuel Prices, Average Fares and Operating Profits
(from year earlier period)
System Majors

Quarter	Percentage Change in Fuel Prices	Percentage in RPM Yield	Dollar Change in Operating Profits (in millions)
1	0.88	-7.4	-362.4
2	-8.57	-4.4	19.5
3	-7.73	-0.9	196.3
4	-6.00	-3.9	18.1

MULTINATIONAL NEGOTIATIONS

Question: Your budget request speaks of a recent provisional North Atlantic Pricing accord reached with the European Civil Aviation Conference (Page 37). What were the policy issues of that accord? What was agreed to?

Answer: The main policy issue was whether the United States would extend anti-trust immunity for carriers to participate in North Atlantic tariff coordination activities, in return for establishment of "automatic approval" zones of fare flexibility. The interim agreement was concluded May 2, 1982, and became effective August 1, 1982, for an initial six-month period. Agreed reference fare levels and flexibility zones were established in the major gateway markets between the United States and 12 European countries (Belgium, France, Germany, Greece, Ireland, Italy, The Netherlands, Portugal, Spain, Switzerland, the United Kingdom and Yugoslavia). The agreement generally provides for 20 percent upward and downward flexibility, i.e., automatic approval around the reference levels, for normal economy fares, and automatic approval of discount fares subject to certain agreed conditions, within zones of 70-80 percent and 60-70 percent of the reference levels. In some cases the agreed zone for deep discount fares goes as low as 50 percent of the reference fare. Zones also were established for first class and business class fares. Fares filed outside the automatic approval zones will continue to be governed by the provisions of the relevant bilateral agreements (e.g., double approval, country of origin or double disapproval). The United States agreed not to preclude multilateral tariff coordination, but the Agreement similarly precludes any Party from requiring such tariff coordination. Thus, continued participation in IATA rate conference is authorized, but not required, for both U.S. and foreign air carriers. Bilateral Agreements providing even greater fare flexibility continue to be controlling.

On December 17, 1982, the parties agreed to extend the agreement for an additional nine-month period, until October 31, 1983; and on February 26, 1983, the United States and the Scandinavian countries reached agreement on reference fares and zones in U.S.-Scandinavia markets for inclusion in the U.S.-ECAC Memorandum of Understanding.

PROSPECTS FOR PERMANENT ACCORD

Question: What prospects are there for a more permanent accord?

Answer: There is presently no agreed adjustment procedure for the reference fares. Some changes were individually negotiated in December, and all the parties have committed themselves to work towards a regular, cost-based adjustment mechanism. We believe this to be essential before any permanent agreement is reached. In addition, we have only had about six-months' experience since the Understanding became effective, and it would be premature to make any judgment as to the prospects or desirability of making the agreement permanent.

U.S. CARRIER TRANSATLANTIC TRAFFIC

Question: Indications are that competition on the transatlantic air routes has not lessened. What has been the annual U.S. carrier transatlantic traffic over the last five years?

Answer: The attached table shows the level of and changes in U.S. carrier traffic in the transatlantic market. The table also shows total transatlantic traffic and comparable data for foreign carriers.

In 1982 U.S. carriers recorded traffic growth of 6.3 percent over 1981 while the total market declined 2.9 percent and foreign competitors experienced a loss of 9.3 percent.

PASSENGER TRAFFIC ON TRANSATLANTIC ROUTES
(SCHEDULED AND CHARTER)
SOURCE: DOT/TSC

(000)

	1978	1979	1980	1981	1982
Total Passengers	13,758	14,877	15,313	15,562	15,111
Percent Change	+13.9	+ 8.1	+ 2.9	+ 1.6	- 2.9
U.S. Flag Share	6,040	6,576	6,447	6,381	6,785
As a Percent	43.9	44.2	42.1	41.0	44.9
Percent Change	+10.	+ 8.9	- 2.0	- 1.0	+ 6.3
Foreign Flag Share	7,718	8,301	8,866	9,181	8,326
As a Percent	56.1	55.8	57.9	59.0	55.1
Percent Change	+17.0	+ 7.6	+ 6.8	+ 3.6	- 9.3

U.S. CARRIERS' MARKET SHARE

Question: What is the market share held by U.S. carriers? What is the trend?

Answer: U.S. carriers had 44.9 percent of the transatlantic traffic in 1982. Not only have the 1982 market share results reversed a slide from 44.2 percent in 1979 to 41.0 percent in 1981, they also reflected the highest market share realized by U.S. carriers in the past five years.

Since historic data indicate both reductions and improvements in U.S. carrier market share, it is difficult to extrapolate a trend.

EFFECTS OF BILATERAL NEGOTIATIONS

Question: How have bilateral negotiations affected this trend?

Answer: The strengthening of European currencies relative to the U.S. dollar caused a reduction in U.S. carrier market share from 45.4 percent in 1977 to 41.0 percent in 1981.

While no specific bilateral negotiation can be cited for the recent higher U.S. market share, exogenous causes namely the strengthening of the U.S. dollar, the natural tendency of citizens to fly their flag carriers,, and the bankruptcy of Laker are certainly reflected in the strong showing of U.S. carriers in 1982.

EFFECTS OF ECONOMY ON U.S. MARKET SHARE

Question: Last year you said U.S. market share depended on a strong dollar and U.S. economy. The dollar has strengthened and the economy is showing more positive signs. In your judgment, what would be a reasonable market share for U.S. carriers as the economy improves?

Answer: Transatlantic market variables such as a strengthened U.S. dollar, improvement in the economy, greater pricing flexibility options available to U.S. and foreign carriers and the competitive leverage of 11 U.S. carriers presently offering scheduled service, indicate a growth in traffic and a continued improvement in U.S. carrier market penetration.

In our judgment, U.S. carriers could capture 45 to 47 percent of the 1983 transatlantic market. This would represent the highest market share level in 10 years.

CAB INITIATIVES TO FOSTER COMPETITIVE U.S. POSITION

Question: What specific initiatives can be sponsored by the CAB to foster a more competitive U.S. position via bilateral agreements?

Answer: The CAB is recommending that the United States increase its efforts in negotiations to obtain language in bilateral air transport agreements to insure that U.S. carriers have commercial freedom in foreign countries similar to the commerical freedom foreign carriers enjoy in the United States. These commerical opportunity provisions include rights to U.S. carriers in foreign countries to establish offices, to furnish personnel for the local airline operations, to provide their own ground handling or select ground handling services among competitive agents, to engage in the sale of air transportation and to remit revenues. In addition, the CAB in conjunction with the Departments of State and Transportation, is continuing to seek removal of restrictive practices imposed by foreign governments and airlines which impede U.S. carriers' operations internationally. Our new agreements call for the removal of all forms of discrimination and unfair competitive practices. The CAB is also pressing for multiple designation and provisions which leaves to air carrier management decisions regarding capacity, frequency, pricing and type of aircraft.

INTERNATIONAL PREDATORY PRICING

Question: In testimony before the House last year (House Page 129) predatory fares were described as those set at a level below cost with an expectation of driving rivals out of the marketplace with intent to then raise prices in a monopolistic fashion. Cite for the record the history of predatory fares in international air travel that have been addressed by the Board in the last five years. Where does the Laker Airlines Case fit in?

Answer: Shortly before Laker began operations in September 1977, the incumbent New York-London scheduled carriers filed new standby, budget and super-APEX fares, which were later incorporated, with some changes, into an International Air Transport Association (IATA) agreement. The super-APEX fares were also proposed in every major U.S.-Europe market. All three fares were described as competing with Laker's "Skytrain" service. Complaints against the fares were filed by Laker, and by U.S. charter carriers, charter tour organizers, the American Society of Travel Agents, the Board's Consumer Advocate, and the U.S. Department of Justice. After oral argument, the Board decided to approve the standby fares, disapprove the super-APEX, and approved the budget fare subject to an increase to a more appropriate fare level. The Board believed that the super-APEX posed a serious threat to the charter carriers, and that the budget fare, unless modified, would also threaten the viability of charters. However, President Carter disapproved the Board's suspension of the super-APEX and budget fares for reasons of foreign economic policy, and the fares were permitted to become effective.

At about the same time as the Laker-competitive fares were considered, the Board issued its decision on North Atlantic Charter Transfer Rules proposed by Pan American World Airways and Trans World Airlines. After investigation the Board found the proposed rules, which would have permitted Pan American and TWA to transfer passengers from Atlantic charter flights to seats aboard regular scheduled flights, to be unjust and unreasonable, and ordered them canceled. President Carter approved that decision. Subsequently, the Board has amended its rules to liberalize charter rules and to permit part-charters,and has also granted extensive scheduled service authority to the former supplemental (charter-only) carriers.

In September 1977, the Board also suspended contract cargo rates proposed by British Airways. Seaboard World Airlines, a U.S. all-cargo carrier, alleged that the rates were below cost and predatory. After oral argument, the Board concluded that the rates were not below cost, but still might be destructive of competitive responses. The U.K. subsequently accepted competing rates filed by U.S. carriers, and the suspension was removed.

Since then, we have dismissed various complaints by competing carriers against tariff filings which they alleged were "predatory," "below cost" or "unreasonable".

For example, during June-July 1981, China Airlines and Korean Air Lines complained that certain transpacific "high weightbreak" general commodity rates proposed by Japan Airlines and Flying Tiger were predatory. The Board dismissed the complaints, because neither complainant demonstrated that the proposed rates were below cost, or were intended to drive competition from the marketplace. Further, our experience with similar rates in both U.S. domestic and transatlantic markets indicated that they actually enhanced competition by offering shippers a broader range of price/quality options while allowing carriers to operate at higher load factors and lower average costs. Finally, our bilateral agreements with both Taiwan and Korea do not allow unilateral disapproval of proposed prices, and neither bilateral partner had protested against the rates at issue.

More recently, in January 1982, the Board addressed allegations of predation raised by Lufthansa against Pan American's U.S.-Germany two-for-one pass and special normal economy fares. The Board's order dismissed all allegations against the two-for-one pass and instituted a limited investigation into the special economy fares. Although unable to conclude that the special economy fares were unlawful, the Board instituted the investigation in recognition of the strong views of the German authorities, to permit a more thorough evaluation of Lufthansa's claims as marketplace experience with the fares developed, and to provide a basis for expeditious intervention should circumstances warrant. We terminated this limited proceeding in June 1982, after the carriers agreed to substantial changes in the levels and rules of the special economy fares.

The Laker court case is described in the following question.

LAKER ANTITRUST CASE

Question: A recent U.S. District Court decision allows Laker to have his antitrust case heard in the American Court System. Please comment.

Answer: The U.S. District Court in Washington, D.C., has issued an opinion holding that Laker Airways is entitled to pursue its antitrust case against several U.S. and foreign airlines in the United States courts, Laker Airways Limited v. Pan American World Airways et. al., No. 82-3362, (D.D.C. March 9, 1983, opinion of Harold Greene, J.). Laker is charging that the defendants conspired to drive him out of business by reducing their own transatlantic fares to levels so low that Laker could not continue to operate. Four of the foreign airline defendants obtained a preliminary injunction from a British court enjoining Laker from continuing to prosecute its antitrust case against them in the U.S. Courts. Laker then obtained an injunction from the U.S. District Court barring the other defendants from attempting to obtain a similar injunction from a foreign court.

Judge Greene ruled that there was no basis for the foreign defendents attempting to enjoin Laker's prosecution of its case, for the defendants were in essence arguing that they could not receive a fair trial in the United States and should be excused from complying with U.S. antitrust laws, even though they chose to do business in this country.

The Board is not a party to the case as it is a private suit for treble damages. We therefore are unable to comment on the merits of the plaintiff's case. The Justice Department, however, has begun a grand jury investigation into the defendant airlines' transatlantic pricing practices.

We agree with Judge Greene's conclusion that foreign airlines operating in United States markets should be subject to the U.S. antitrust laws. By choosing to substantially deregulate domestic air transportation and open international air transportation to more competition, Congress has chosen to rely on market forces rather than government regulation as the best means of providing air transportation which meets the public's needs. In order to ensure that market forces can operate, it is essential that the airlines be subject to the antitrust laws.

BOARD PROCESS TO UNCOVER PRICING STRATEGY

Question: What process does the Board use to uncover such a pricing strategy?

Answer: It is difficult at best to "uncover" a predatory pricing strategy, since it involves a carrier's intent, as well as behavior which is subject to varying interpretation. There are reasonable differences of opinion about the appropriate cost which a particular fare should cover; for example, some foreign governments consider any price below their national flag carrier's cost, or that it dislikes, to be "predatory". In any event, a carrier seeking to monopolize a market would need to have a reasonable hope of collecting its ill-gotten gains after rivals were driven out, in order to recoup the temporary losses attributable to below-cost pricing. In our view, the uncertainties facing a carrier which might be tempted to pursue a predatory strategy are so significant that predation is unlikely to be attempted, much less succeed, especially in open-entry markets.

REMEDIES TO RECTIFY SITUATION

Question: What remedies are available to rectify these situations?

Answer: In order to succeed in a predatory strategy, a carrier would have to be able to maintain prices above competitive levels. The only markets where there is no regulatory constraint on raising fares are those where the United States has concluded "double disapproval" pricing agreements, and in those markets the governmental barriers to entry have been effectively dismantled as well; and a predatory carrier could not expect to have a free field for long. In fact, the existence of monopoly rents might induce new carriers to enter a market.

In markets not covered by double disapproval regimes, the Standard Foreign Fare Level (SFFL), or the more recent Understanding with the European Civil Aviation Conference, provide upper limits on fare increases; in both cases, of course, there is considerable upward and downward fare flexibility within legislatively-mandated or negotiated zones of reasonableness or automatic approval.

As indicated above, when the President's approval of low North Atlantic discount fares in the wake of Laker's entry effectively removed the constraints against direct competition between scheduled and charter services, the Board liberalized its charter rules, granted extensive scheduled authority to the U.S. charter airlines, and joined the Departments of State and Transportation in negotiating corresponding liberalizations with other governments. We continue to believe that loosening the regulatory constraints on one class of competitors is preferable to restricting the prices and services offered the public by another class.

DISCRIMINATORY PRICING

Question: Please explain how discriminatory pricing can be immune to actual and potential competitive forces? What is a "reasonable period" for allowing market forces to correct discriminatory fares?

Answer: Section 404(b) of the Act proscribes carrier fares, rates or practices in foreign air transportation which create unjust discrimination or undue preference and prejudice. The Board refers to these generically as "unreasonable discrimination" and, following the adoption of the Airline Deregulation Act and the International Air Transportation Competition Act, it adopted a policy that a fare or rate ("rate") will be found unreasonably discriminatory only if: (1) the rate is in fact discriminatory according to a reasonable cost allocation or other rational basis; (2) there is a reasonable probability that the rate will result in significant long-run economic injury to passengers or shippers; (3) the rate does not provide transportation or other statutorily recognized benefits that justify the discrimination; and (4) actual and potential competitive forces cannot reliably be expected to eliminate the undesirable effects of the discrimination within a reasonable period. PS-93, 45 FR 36059, adopted May 22, 1980. The Committee's questions address the content of the fourth criterion.

Normally, actual and potential competition among carriers, both within a particular market and between different markets, will prevent pricing practices which deviate significantly from the true economic costs of a particular service. Unreasonable discrimination arises when carriers are prevented or hindered from competing on the basis of price. In the case of foreign air transportation, the Board has found three major situations which frustrate price competition. First, governmental authorities may directly intervene by refusing to approve matching fares, either on a direct, head-to-head basis with their national carriers or on an on-line or interline service basis. Second, governmental authorities acting through their respective bilaterals may limit the number of carrier competitors in a market or otherwise limit the opportunities for meaningful price competition through operating restrictions on scheduled and/or charter services. And third, multilateral pricing agreements among carriers can create disincentives that limit the amount and nature of intercarrier price competition. Thus, market structure, market performance, and governmental restrictions are major factors which the Board considers when evaluating the fourth criterion.

A "reasonable period" for market forces to be expected to correct the undesirable effects of discrimination must be determined on a case-by-case basis. Here the other criteria of PS-93 become particularly relevant, especially the degree of discrimination and the nature of the alleged injury. Generally, the Board would consider a reasonable period to be one which avoids a serious injury to competition in a market or region, in the nature of a carrier pullout, for example, or avoids a serious injury to a particular class of consumers. Economic injuries to shippers in the form of rate discrimination have traditionally been considered more critical than injuries to passengers, although in the case of shippers higher transportation costs for particular services or commodities do not necessarily establish the presence of a serious competitive disadvantage or the likelihood of serious economic injury. In such cases the Board has often looked at the availability of transportation alternatives, such as the feasibility of charters, alternate routings, and intermodal services, as well as the likelihood that competitive abuses would attract new entrants to serve unmet needs and correct the price discrimination. Of course, mere differences between individual markets in rates per mile are frequently not discriminatory at all because costs per mile differ by market as well as by carrier.

BUDGETARY/PROGRAMMATIC PHASE-OUT PLAN

Question: Board activities are still scheduled for complete phase-out by January 1, 1985. In last year's Conference Report (page 19) the conferees directed the Board to submit to Congress a comprehensive, budgetary and programmatic phase-out plan showing quarterly reductions. Submit the completed plan for the record.

Answer: (See attached)

CIVIL AERONAUTICS BOARD

QUARTERLY BUDGETARY & PROGRAMMATIC
PHASE-OUT PLAN
FY 1983

(all dollars in thousands)

PROGRAM	Q 1 & Q 2 ACTUAL	Q 3 EST	Q 4 EST	TOTAL EST
I. Community Assistance	$3,824	$1,810	$1,791	$7,425
Work Years	75.9	37.3	36.8	150
Positions (end of qtr.)	150	149	146	146
II. International	3,682	$1,744	$1,720	$7,146
Work Years	72.4	35.6	35.0	143
Positions	143	142	139	139
III. Information	2,577	1,184	1,167	$4,928
Work Years	49.0	23.2	22.8	95
Positions	95	92	90	90
IV. Domestic	1,598	597	478	$2,673
Work Years	33	12	9	54
Positions	56	44	32	32
V. Consumer	917	380	356	$1,653
Work Years	17.8	7.4	6.8	32
Positions	31	29	27	27
TOTAL BUDGET	$12,598	$5,715	$5,512	$23,825 1/
WORK YEARS	248.1	115.5	110.4	474.0
POSITIONS (end of qtr.)	475	456	434	434

1/ The $23,825,000 total includes the requested supplemental appropriation of $700,000.

CIVIL AERONAUTICS BOARD

QUARTERLY BUDGETARY & PROGRAMMATIC PHASE-OUT PLAN

(all in dollars in thousand)

PROGRAM	FY 1984 Q 1 EST	FY 1984 Q 2 EST	FY 1984 Q 3 EST	FY 1984 Q 4 EST	FY 1984 TOTAL	FY 1985 Q 1 EST
I. Community Assistance	1,871	1,871	1,859	1,803	$7,404	$1,803
Work Years	36.5	36.5	36.2	34.8	144.0	34.8
Positions (end of Qtr.)	146	146	143	137	137	137
II. International	1,778	1,734	1,698	1,662	$6,872	$1,662
Work Years	34.5	33.4	32.5	31.6	132.0	31.6
Positions	135	131	129	125	125	125
III. Information	1,166	1,093	1,029	955	$4,243	$ 955
Work Years	21.8	20.0	18.5	16.7	77.0	16.7
Positions	84	78	69	65	65	65
IV. Domestic	407	361	332	312	$1,412	$ 312
Work Years	7.8	6.7	6.0	5.5	26.0	5.5
Positions	29	26	23	21	21	21
V. Consumer	259	245	234	221	$ 959	$ 221
Work Years	5.8	5.4	5.1	4.7	21.0	4.7
Positions	23	20	18	18	18	18
TOTAL BUDGET AUTHORITY	$5,481	$5,304	$5,152	$4,953	$20,890	$4,953
WORK YEARS	106.4	102.0	98.3	93.3	400.0	93.3
POSITIONS	417	401	382	366	366	366

NOTE:

The Board will reach it transferring level of 366 positions at the end of FY 1984. The Agency will then operate at this level for the first quarter of FY 1985 (ending December 31, 1984), which will be the final quarter of the Board's legislated life.

CIVIL AERONAUTICS BOARD

CONVERSION TABLE
ATTRITION INTO WORK YEARS
FY 1984

POSITIONS

	First QTR			Second QTR			Third QTR			Fourth QTR		
	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.
On Board Beginning of Month	434	429	423	417	413	407	401	396	388	382	376	368
Average for Month	431	426	420	415	410	403	398.5	392	385	379	372	367
On Board End of Month	429	423	417	413	407	401	396	388	382	376	368	366
Projected Monthly Loss	-5	-6	-6	-4	-6	-6	-5	-8	-6	-6	-8	-2

TOTAL PROJECTED POSITIONS LOSS FOR YEAR = 68

AVERAGE FOR MONTH (i.e., work-months)

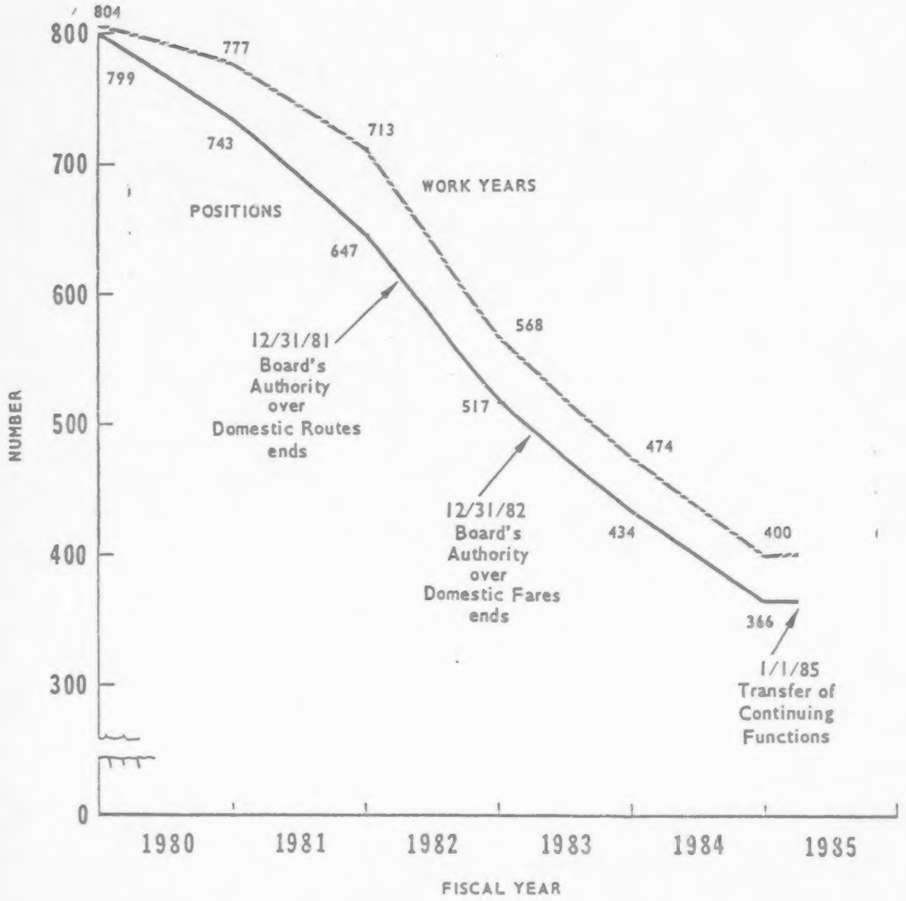
OCT. - 431
NOV. - 426
DEC. - 420
JAN. - 415
FEB. - 410
MAR. - 403
APR. - 398.5
MAY - 392
JUNE - 385
JULY - 379
AUG. - 372
SEPT. - 367
TOTAL 4,798.5 Work-months

4,798.5 divided by 12 = 399.9 work-years

CIVIL AERONAUTICS BOARD

Quarterly Budgetary and Programmatic Phase-Out Plan

WORK YEAR AND POSITION REDUCTIONS, FY 1979-1984



CONTROL OF SLOTS

Question: What is the Board's position on where control of slots should reside? What would be the benefit of having slots declared a liquid financial asset owned (or controlled) by operating airlines?

Answer: The Board believes that the FAA should ultimately control the allocation of the slots. Braniff Airways and Pacific Southwest Airlines had asked the bankruptcy court to order the FAA to transfer the slots formerly held by Braniff to PSA as part of Braniff's proposed reorganization plan. While the bankruptcy court decided that it could order the FAA to transfer the slots to PSA over the FAA's objections, the Fifth Circuit Court of Appeals reversed that decision on the grounds that the slots were not Braniff's property and that in any event the FAA, not the bankruptcy court, had the jurisdiction to decide which carriers could use the slots.

We note that Braniff is also trying to get the bankruptcy court to rule that Braniff's certificate authority on two foreign routes (Dallas-London and U.S. Central Zone-Venezuela) is also Braniff's property and thus cannot be revoked by the Board without the court's permission. The Board disagrees, for we believe that foreign route rights, like slots, should be assigned by the Federal agency to the carrier best able to use them for the public's benefit. The bankruptcy court has recently ruled that it would not enjoin the Board from terminating Braniff's authority and granting new authority over the same routes to other airlines.

In the aftermath of the strike and firing of a large fraction of the air traffic controllers, the capacity of the air traffic control system has been substantially reduced. Consequently, the FAA was forced to limit operations at a number of airports and control centers. Since that time, carriers have had to possess slots in order to operate. Ideally, the carriers that serve a particular route would be dictated by carrier costs and passenger preferences. Yet the FAA allocation methods may limit the ability of the best suited carrier from serving a particular market. It may create incentives for carriers to "hoard" slots for future use, at the price of degraded service now. However, those carriers that can provide the most efficient services would value the operating rights most highly.

SLOT ALLOCATIONS

Question: What influence does the Board have now on slot allocations?

Answer: The Board currently has no influence on the FAA's slot allocation procedure with one exception concerning the essential service program. If the Board determines that a special allocation of slots to a carrier is necessary to enable the carrier to provide a small community's essential service needs, the FAA at the Board's request will use its best efforts to allocate the required slots to that carrier.

FAA CONTROL OF SLOTS

Question: Should the FAA continue to control slots? Explain.

Answer: We believe, as explained in our answer to an earlier question, that the FAA should continue to control slots as long as slots remain necesary for the safe operation of the air traffic control system. Because slot allocations substantially limit each carrier's ability to change its operations in response to changes in market conditions, we hope that the slot system can be phased out soon.

FAA PROPOSED HELICOPTER SERVICE

Question: What is your personal position, Mr. Chairman, with regard to the FAA's proposal to build a heliport at Union Station and inaugurate helicopter service between Capitol Hill and surrounding metropolitan airports?

Answer: Since it is not within our jurisdiction, I will not comment on the location, or safety and noise aspects of the proposal.

I personally believe that we should encourage new and innovative types of air transportation to better serve the public. Assuming there is a demand for it and it is reasonally priced, there is every likelihood that such a service could succeed and be beneficial to the metropolitan transportation system.

PERSONNEL ATTRITION

Question: What is the attrition rate anticipated in your budget plan and what is your current experience over the past few months with regard to personnel attrition?

Answer: Our Fiscal Year 1984 budget anticipates an average attrition rate of six to seven employees a month between now and September 30, 1984.

We had an average attrition rate of 11 employees a month in Fiscal Year 1982 and an average rate of six employees a month during the first five months of Fiscal Year 1983.

RECENT FARE TRENDS

Question: Has the Board been able to accumulate any data on how airline fares have reacted since January 1, 1982, when the regulation of domestic fares was terminated?

Answer: From the view point of average yield (average passenger revenue per RPM), little data is available after January 1, 1983. The only yield data available is on a system basis (i.e., it can not be separated as between domestic and international operations) and only for the month of January 1982. This data reflect a reduction in average fares.

	Yield (Average Passenger Revenue Per RPM Sch. Svc.	Percent Change Percent Change Over A Year Earlier
Majors*	11.17¢	(7.0)
Short Haul Nationals	12.84¢	(11.4)

* Excludes Northwest and Continental who have not yet reported.

DEREGULATION STUDY

Question: The Board's staff study on the impact of deregulation titled "Competition and the Airlines: An Evaluation of Deregulation" was published in December 1982 (page 46). Please summarize the findings and recommendations of that study for the record.

Answer: The airline industry is still very much in transition, and thus the conclusions in the report, "Competition and the Airlines: An Evaluation of Deregulation" are tentative. Nevertheless, the changes observed indicate that the industry is using its resources more rationally:

- o Airlines are tailoring route networks to match traffic flows. One result of this is that a greater share of connecting trips are now made online.
- o Commuter airlines have replaced jet operators in many thin, short-haul markets. Small communities where commuters have replaced jet operators have had a 25 percent increase in flights on average, and a corresponding increase in convenience.
- o The Board's Essential Air Service Program is providing small communities with better service at lower taxpayer costs than the subsidy program it replaced.
- o Carriers are tailoring the quality of service to meet market demand, and fares tend to reflect the costs of serving the market.

- o The increased use of peak-load pricing allows carriers to operate at higher load factors while providing high quality service to passengers that demand it.
- o The new airlines entering the industry have substantially lower costs than the established airlines. It appears that regulation reduced the incentives for efficiency causing airline costs to become inflated.
- o Convenience has increased in some markets and declined in others. The average traveler has experienced a small improvement in convenience.
- o Spurred by competitive pressures as well as the recession, the established airlines are beginning to take steps to improve productivity.
- o Although carriers in concentrated markets have some price setting power, it tends to be moderate. Moreover, market concentration is declining. Increased price competition has also limited the amount of schedule rivalry.

INFORMATION SYSTEMS

Question: The Board staff paper titled "CAB Information Systems and Early Sunset dated June 15, 1982" makes a series of recommendations on information programs that should be either eliminated, reduced, or retained. Please summarize your recommendations on information programs that should be either eliminated, reduced, or retained. Please summarize your recommendations for the record giving a brief rationale for each. What are the total estimated cost savings (man-years and other costs) that will result from these changes?

Answer: Immediately after passage of the Airline Deregulation Act of 1978, the Board began a major reassessment of its regulatory information requirements. In October 1980 the first set of plans were developed that would reduce or eliminate information collections in concert with the gradual, time phased deregulation provisions of the Act. Numerous changes were implemented.

In September 1981 a second, updated set of information reduction plans were issued for comment. A number of Federal agencies responded with their requirements. A large number of public users provided comments. The June 1982 staff paper entitled "CAB Information Systems and Early Sunset" provided a roadmap for final information program changes before sunset. It was based upon the information requirements of both the CAB programs scheduled to continue after sunset as well as the needs of other Federal agencies who rely upon CAB data.

We are continuing to pursue the changes proposed in the June 1982 paper through the open, public rulemaking process. Meanwhile, we are working closely with the other Federal agencies that use our data, to reduce their requirements to the lowest possible level. As a result, the June 1982 recommendations have been refined and improved, to everyone's benefit.

Following is a summarization of our current sunset plans for our air carrier financial and statistical reporting program. The summary first shows the data needed to support the programs scheduled to transfer at sunset. Next is a summary of the CAB information systems required by other Federal agencies.

1. Programs transferring to the Department of Transportation:

   a. Small community essential air service, community assistance, and subsidy. Requires: Form 41 financial schedules B1, P1, P5 and P10; Form 41 traffic summary schedules T1, T2 and T3; service segment data (both ADP detailed and T9); passenger origin-destination survey data; and 298C commuter passenger origin-destination and summary traffic data.

   b. International aviation including negotiations and consultations, operating authority, and pricing and tariffs. Requires: Form 41 financial schedules B1, B43, P1, P12A and G41; Form 41 summary traffic schedules T1, T2 and T3; charter market traffic data; cargo traffic data (T8); service segment data; and, passenger origin-destination survey data. Also, selected special collections of financial and statistical information are required for the U.S. submissions to the International Civil Aviation Organization.

   c. Emergency preparedness. Requires: Form 41 financial schedules B7, B8 and B43.

   d. Employee protection plan. Requires: Form 41 schedules P1 and P10.

   e. Miscellaneous consumer functions related to charter and tour operators, liability insurance, and certain aspects of domestic pricing. Requires: Form 41 financial schedules P1 and P12A.

2. Programs transferring to the Department of Justice.

   a. Authority over all agreements, immunity (412 and 414), and mergers, acquisition and interlock (408 and 409). Requires: Form 41 financial schedules B1, P1 and G41; Form 41 summary traffic schedules T1, T2 and T3; charter market traffic data; and, service segment data.

3. Programs transferring to the U.S. Postal Service.

   a. Domestic mail rates. Requires: Form 41 financial schedules P1, P3, P5, P7, P8 and P12A; Form 41 summary traffic schedules T2 and T3; and, service segment data.

4. Programs that do not transfer that require significant information.

   The Deregulation Act requires the CAB to determine the fitness of air carriers, both initially and on a continuing basis until sunset. The fitness question requires us to look at a variety of indicators including a carrier's financial viability and carrier reliability. This determination requires a variety of reports including: Form 41 financial schedules B1, P1 and P12A; Form 41 summary traffic schedules T1, T2 and T3; service segment and nonstop market data as applicable; passenger origin-destination survey data; if appropriate, commuter online passenger movement and summary traffic reports (298C); and, denied boarding data.

5. Other Federal agencies rely upon CAB information systems to support their present, ongoing programs, which are expected to continue after sunset as follows:

   a. Department of Transportation. They use our information to develop, plan for, and implement future programs and systems responsive to the needs of the users of the national aviation system. They also use our information to execute existing programs, such as aircraft loan guarantees, and evaluate the reasonableness of proposed program changes. They require almost all of the reports mentioned above, plus some minimum financial information from commuter air carriers and minimum financial and statistical information from domestic all cargo carriers operating solely under 418 authority.

   b. Department of Commerce uses CAB data to perform critical economic analysis functions, such as preparation of the Gross National Product Accounts and Balance of Payment Accounts. This work requires Form 41 financial schedules B7, B8, B43, P1 and P3, and Form 41 summary traffic schedule T1.

   c. Department of Labor requires the employment data reported on Form 41 financial schedules P1A for administration of various portions of Section 43, Employee Protection Program, of the Deregulation Act. They also use Form 41 financial schedule P1 and summary traffic schedule T1 to develop air transportation industry productivity indicators, as a part of their development of such indices for broad sectors of the economy. They also use the passenger origin-destination survey to price sample trips for the airline fare component of the Consumer Price Index (CPI).

   d. Department of Air Force uses CAB information to establish rates for military aircraft, as a part of their use of commercial air carriers under the Civil Reserve Air Fleet (CRAF) program. They require Form 41 financial schedules B1, B7, B8, B43, P1, P5, P6, P7 and P8 plus summary traffic schedules T1, T2 and T3.

Our measurement of savings from this report reduction program shows that since enactment of the Airline Deregulation Act of 1978 (ADA), the average per respondent (air carrier) reporting-hour burden for recurrent reports has been decreased approximately 30%. We expect to achieve a 50-60% reduction by sunset. The table below shows several different measurements as of January 31, 1983:

Reduction of CAB Air Carrier Financial & Statistical Information
(Estimates)

Item	At Passage of ADA October 1978	At Present January 1983	At Sunset December 1984
1. Number of Form 41 reports (schedules)			
Financial	39	30	9
Statistical & other	14	11	10
Accounting procedures	20	9	0
Total	73	50	19
2. Number of reporting forms			
Form 41	73	50	19
Other	22	19	13
Total	95	69	32
3. Number of reporting air carriers			
Certificated 401	27	105	125
Domestic cargo 418	0	60	75
Foreign 402	160	160	160
Commuter (pax. only)	200	140	175
Dom. & foreign indirect	360	60	0
Total	747	525	535
4. Reports filed with CAB			
Annually	32,000	17,000	15,000
5. Air carrier reporting burden hours			
Financial and statistical info.	250,000	170,000	155,000
Other information	280,000	200,000	175,000
Total	530,000	370,000	330,000

The table shows that since 1978 the number of reporting air carriers has increased 38%, disregarding the indirect carriers. Despite this increase, the industrywide reporting burden has been reduced 32%, or 160,000 burden hours. On a per-carrier basis, the burden has been reduced almost 42% since 1978 and will be reduced a total of approximately 55% at sunset. These reductions are reflected by the decreases shown in both the number of Form 41 schedules and the overall number of reporting forms. To date we have eliminated 8 complete financial and/or statistical information flows, an estimated 25 separate reporting schedules or forms, and 15,000 reports from the estimated annual volume.

Information program staff resources have already been reduced by about 60% since the ADA, in anticipation of the 50-60% sunset reduction in reporting. In FY 1978 we utilized 149 permanent positions in our regulatory information program. Our FY 1984 budget estimates only 54 positions for this work. Increases in staff productivity have enabled us to maintain acceptable information accuracy and timeliness, despite the greater cuts in staff than in reporting. Improved productivity has also enabled us to cope with the three-fold increase in certificated operating and reporting air carriers since the ADA, and to implement the substantial number of reporting changes that have occurred.

INDUSTRY REPORTING REQUIREMENTS

Question: What assurances can you provide the Committee that your reductions in industry reporting requirements will not make it more difficult to determine the condition of the air carrier industry in general, and the impact of deregulation in particular?

Answer: The overall condition of the air transportation industry and air carriers in the industry in general are continuing concerns of the Civil Aeronautics Board (CAB). The financial and statistical facts we use to monitor the industry's general condition are almost all currently planned to continue after sunset. These facts enable us to monitor both industry trends as well as individual air carrier or carrier group performances. For example, we monitor the financial results of operations, revenue traffic and capacity, yields and unit costs and profits per revenue (or available) ton mile, financial ratios and percentages, scheduled passenger load factors, average fares per mile, employment and productivity, and a variety of details concerning airline service by city. Only the data used for the measurement of average fares per mile is currently being considered for elimination before sunset.

Our report reduction program has been pursued over a number of years using the open, public rulemaking process. It is designed both to announce our requirements as well as to surface uses of our information by other Federal agencies, to ensure that we do not discontinue information the Government needs for industry monitoring and evaluation purposes. The Department of Transportation has been a continuing participant in this program. DOT has identified to us the information they require for current and post-sunset use for programs other than the CAB programs that will transfer to them at sunset, including industry monitoring. In turn, the CAB is not eliminating data that DOT requires. For example, the Board recently proposed to continue through sunset a minimal level of statistical and financial reporting by domestic all cargo air carriers, based solely upon DOT's monitoring and other program requirements.

We have also received notice from the Department of Commerce's Bureau of Economic Analysis, the Department of Labor's Bureau of Labor Statistics, and the Air Forces' Material Airlift Command on their needs for our information. We are working closely with them to ensure that our data reductions do not impact their air transportation industry and air carrier monitoring and other programs.

Sections 1601(c), (d) and (e) of the Airline Deregulation Act of 1978 require us to explore and report to Congress by January 1, 1984 on the question of the impact of deregulation. We have continued various information systems to ensure, among other things, that data is available to thoroughly assess deregulation. We anticipate that data may be needed by the Congress and the CAB to further assess industry activities in terms of deregulation through the first half of calendar year 1984. However, for periods after June of 1984, industry data would generally not reach CAB in time to be processed and analyzed in terms of deregulation before sunset occurs. Therefore, our consideration of information required to assess the impact of deregulation generally ends with mid-1984. However, this does not mean the data needed to assess deregulation would no longer be available after mid-1984. In fact, most of it will continue because this same information also serves the post-sunset needs of continuing CAB programs and the activities of other Federal agencies.

We can assure the Committee that in the future it will, as a general rule, not be more difficult to determine the general condition of the air industry and the overall impact of deregulation. It may, however, be more difficult to go beyond the general or overall assessment levels. That is, more difficult than in the regulated environment where there has been a wealth of very detailed information available.

QUESTIONS SUBMITTED BY SENATOR CHILES

SUNSET OF THE CAB

Question: CAB is scheduled to sunset three months into fiscal 1985. At that time, several of the programs will be transferred to other agencies. These transferring functions include the section 419 community air service program, international aviation, regulatory management and competition maintenance. The greatest majority of the other programs will be terminated. If the Agency's current attrition rate of six employees a month continues to the date of sunset, the Agency will still have more than 220 employees. What plans currently exist for the residual employees? How many will be terminated at the time the agency sunsets?

Answer: The Airline Deregulation Act of 1978 explicitly transfers the international aviation, small community air service and airline employee protection functions to the Department of Transportation, the merger and interlock approval and agreements approval functions to the Department of Justice, and the postal rates function to the United States Postal Service when the Board sunsets. It also implicitly transfers enforcement programs dealing with unfair methods of competition, deceptive advertising and consumer credit to the Federal Trade Commission. The emergency preparedness function will transfer to the Department of Transportation presumably through executive order.

Several other functions such as consumer protection and fitness are neither abolished nor transferred by the Act. The Board is considering legislative recommendations to Congress concerning these functions.

Only a small portion of the Board's staff will be working in nontransferring functions by sunset, primarily the Board Members and their immediate staffs. These employees will be separated. Employees working in the route and fares areas, abolished by the Act in 1981 and 1983 respectively, already have left the Board or been assigned to other work.

We have been able to reduce the number of employees likely to be separated by maintaining an almost total hiring freeze for over two years, reassigning employees into critical vacancies in transferring functions, and assisting employees in finding jobs elsewhere. These efforts have reduced the Board's staff from about 830 employees when the Act was passed to about 480 employees today. We will continue these efforts, which are expected to cut the Board's current staff another 25 percent by sunset.

CONSOLIDATION PROPOSAL

Question: Proposals have been made to abolish not only the CAB but also the ICC and the Federal Maritime Commission and permit their functions to be absorbed into one regulatory agency? What is your view with regard to this consolidation proposal?

Answer: The Board has not taken a position on this proposal. Some of the individual members have, however, expressed some early views. I personally believe that it raises some important questions as to whether or not aviation interests in international negotiations would be given the importance that they deserve. I also believe it would be difficult to integrate the substantially differing regulatory philosophies that govern aviation, on the one hand, and international surface shipping, on the other hand.

One question I see is the potential for negotiating trade-offs between shipping and aviation rights between the U.S. and foreign countries. With aviation interest being separated, we can take a tough stand and achieve greater benefits for both shipping and aviation interests.

EAS FOR SMALL COMMUNITIES

Question: CAB's budget for airline subsidies in FY 1984 would be $50.8 million, an increase from FY 1983's $48.4 million. The Essential Air Service program is scheduled to end on October 1, 1988, but according to GAO most subsidized communities are not making progress toward attaining subsidy-free air service.

Do all of the small communities receiving subsidized air service have a genuine need for air service? Can some small communities receive superior air service from nearby larger airports?

Answer: There are points under the program that are within easy driving distance of larger airports where lower fares and more service are now available. Larger close-by airports have become more attractive because of the restructuring of the industry under deregulation.

The Board has filed comments with the GAO on a draft of the study referred to in the question. In our comments we supported the GAO suggestion that Congress consider giving the Board the flexibility to eliminate points from the program where most passengers no longer use the local subsidized service, but instead drive to larger, close-by airports where lower fares and more services are available.

SUBSIDY-FREE AIR SERVICE FOR SMALL COMMUNITIES

Question: Can some small communities be helped to gain subsidy-free air service by spending more money temporarily to establish and promote efficient and desirable routes?

Answer: We have seen instances under the 419 program where high initial subsidies have allowed carriers to institute and then expand service so that traffic was greatly stimulated. New Bedford, Massachusetts, is the prime example of this phenomenon. At New Bedford, Air New England was replaced by Provincetown-Boston Airlines which was selected to provide essential service for two years with a subsidy of about $800,000 for the first year and $420,000 for the second year. Traffic at New Bedford has grown from about 5,000 enplanements in 1980, the last year of service by Air New England, to over 33,000 in 1982. This point should no longer require subsidy in the years ahead.

STATE PROPOSALS FOR EAS

Question: Should states be permitted to propose substituting communities with greater demonstrated essential air service needs than communities presently receiving subsidies?

Answer: The suggestion that states be permitted to propose substitution of new points for points now under the program is contained in a soon-to-be-released GAO report on the essential service program. In our comments to GAO on a draft of the report we stated, "The substitution of points could be a very difficult procedure to administer. It could change the character of the program and expand its scope well beyond the original purpose which was to allow existing certificated communities a 10-year transition to a deregulated environment. Expanding the program in this manner is a policy decision to be made by the Congress as they study the future of the essential air service program."

Personally, I feel the best interests of the domestic air transportation system are best served by a coordinated federal EAS program rather than having a disjointed state-operated system.

CONSUMER COMPLAINTS

Question: CAB's Consumer Protection, Assistance and Information program budget decreased from $2.5 million in 1982 to under $1 million in 1984, with complaints down from 12,600 actual in 1982 to 8,400 estimated in 1984. Why does CAB project complaints will decrease by about 30% between 1982 and 1984?

Answer: Our projections are based on the downward trend in complaints sent to the CAB that we have seen since deregulation and several factors that lead us to believe that trend will continue.

In calendar year 1979, our consumer office received 40,646 complaints. This figure has dropped drastically over the last few years. In 1980, the number of complaints decreased to 22,988, a drop of 43% over the previous year; in 1981 complaints fell off to 13,278, down 42 percent from the 1980 level; and in 1982, complaints decreased to 10,151, a drop of 23 percent from the 1981 level.

We expect this downward trend to continue for several reasons. First, as passengers and airlines become more aware of their rights and obligations in a deregulated environment, there will be fewer misunderstandings and problems. We have strived over the past few years to educate state consumer groups and other interested persons, through seminars as well as our Fly-Rights publication, in order to decrease the need for federal involvement. We believe our efforts have had a significant positive result in reducing complaints to the CAB.

In addition, we expect consumer complaints to decline because the economic realities of a deregulated system should increase airline incentives to prevent problems or otherwise respond to the concerns of consumers, to whom airlines look for repeat business.

CONSUMER COMPLAINTS WITH REDUCED STAFF

Question: How has the significant staff reductions and the closing of CAB field offices affected the manner and responsiveness of CAB's handling of consumer complaints?

Answer: The recent closings of our regional community assistance field offices will not affect our handling of consumer complaints. These regional offices were established soon after the Deregulation Act of 1978 to educate community groups about the essential air service program. Although an occasional consumer inquiry is received by rhe regional offices, virtually all consumer complaints are handled by our Washington headquarters, where our consumer analysts are located.

I might add that all the Board's consumer assistance field offices (of which there were originally six) were closed by August 1982 and the workload transferred to our Washington headquarters.

We have taken steps to insure that our consumer assistance program remains effective, despite reductions. We have reduced our involvement in consumer complaints through informational and educational programs for state and local consumer groups, as well as for consumers. In the spring of 1980 a package was sent to all state and local consumer complaint handling organizations. The package included an Airline Complaint Handling Guide and a letter explaining the Board's plan to transfer complaint handling activites to state and local consumer protection agencies in preparation for termination of the Civil Aeronautics Board as of January 1, 1985.

In March and April of 1981 we followed up with a series of seminars. At each seminar, we discussed the contents of the Airline Complaint Handling Guide, emphasizing the overbooking, smoking, baggage, and public charter rules, our major consumer protection regulations. In addition, our consumer publication, Fly-Rights, has been an effective tool in disseminating information to individual consumers.

These efforts, together with the added incentives in a deregulated environment for airlines to keep consumers informed and remedy problems that may arise have reduced the number of complaints we must handle. Reductions in our consumer resources have in part been due to this declining role in the consumer area. We recognize, however, the need for an effective consumer program and we will continue to be responsive to Congressional and public inquiries for assistance.

CONSUMER FUNCTIONS TO TRANSFER

Question: What existing consumer protection, assistance, and information functions will be transferred to other agencies and which will be allowed to lapse?

Answer: With respect to foreign air transportation, under the Airline Deregulation Act, these functions will be transferred to the Department of Transportation. There is no explicit provision made for these functions with respect to domestic transportation. The Board is conducting comprehensive reviews of our existing consumer protection rules to determine which of them should remain after the Board sunsets. We have completed those reviews with respect to reservation oversales and notice of terms of contract of carriage and believe continuing regulation is necessary in both of those areas. We are also completing our final review of the regulations covering smoking, limitations of baggage liability, and charters. We have proposed retaining each of these regulations.

The Board submitted a legislative proposal to Congress in late 1981 in which we recommended that our public-protection powers, which are the jurisdictional basis of many of these consumer regulations, be transferred to the Department of Transportation. We are now reviewing staff recommendations for a new legislation proposal to be sent to Congress.

In addition, our general authority over unfair and deceptive practices, particularly advertising problems, and unfair methods of competition will apparently be implicitly transferred to the Federal Trade Commission, which now has similar authority over such practices in other unregulated industries.

We will also continue responding to Congressional and public inquiries regarding consumer problems until we sunset and believe that this function should be taken up by the Department of Transportation or the Federal Trade Commission, depending on the inquiry.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will stand in recess until Thursday, March 17, at 10 a.m., when we will hear the Federal Railroad Administration and Amtrak, and see where we can go on ground transportation.

Mr. MCKINNON. Senator, we are appreciative of being here, and I would just like to reemphasize in closing that we need the total budget, every nickel of it that we are requesting. We need the supplemental appropriation, and we need an attrition rate of six people a month in order to keep from coming back to you for additional money.

Senator ANDREWS. Mr. Chairman, let me assure the members of the Board and the others in the room that there is no lack of, shall we say, aggressiveness on the part of the Chairman in presenting his need for his full budget. So they can know that you have been very active in striving for as many dollars as you can get.

Mr. MCKINNON. Thank you.

[Whereupon, at 11 a.m., Wednesday, March 16, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, March 17.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Andrews, Hon. Mark, U.S. Senator from North Dakota, questions submitted by 47, 135, 175, 233, 330, 416, 537, 571, 641, 662, 710, 813

Barnhart, R. A., Administrator, Federal Highway Administration, letter from 251
Benewitz, Eckhard, Director, Office of Budget and Management Analysis, Washington Metropolitan Area Transit Authority 109
Berger, Stephen, Chairman, U.S. Railway Association 615
  Prepared statement 618
Blanchette, Robert W., Administrator, Federal Railroad Administration 609
  Prepared statement 611
Boleyn, William A., Assistant General Manager for Finance and Comptroller, Washington Metropolitan Area Transit Authority 109
Burke, Alinda C., Assistant General Manager for Public Services, Washington Metropolitan Area Transit Authority 109
Burnett, Jim, Chairman, National Transportation Safety Board 303
  Prepared statement 308
  Biographical sketch 320
Byrd, Hon Robert C., U.S. Senator from West Virginia, letter from 701

Chiles, Hon. Lawton, U.S. Senator from Florida, statement of 2
  Questions submitted by 101, 193, 290, 363, 493, 548, 599, 657, 768, 875
Coleman, John, Direcor, Bureau of Domestic Aviation, Civil Aeronautics Board 779
Crane, L. Stanley, Chairman and Chief Executive Officer, Conrail 603
  Prepared statement 605

D'Amato, Hon. Alfonse, U.S. Senator from New York, statement of 3
Danaher, James, Director, Bureau of Technology, National Transportation Safety Board 303
Derman, Assistant Secretary for Budget and Programs, Department of Transportation 1
Dilworth, Bill, letter from 518
Dole, Hon. Elizabeth Hanford, Secretary, Department of Transportation 1
  Prepared statement 7
Duca, Capt. Gennaro S., Chief, Program Division, U.S. Coast Guard 369
Dugoff, Howard, Administrator, Research and Special Programs Administration 159
  Prepared statement 163

Egbert, John S., Assistant General Manager for Public Services, Washington Metropolitan Area Transit Authority 109

Finkelstein, Michael, Associate Administrator for Research and Development, National Highway Traffic Safety Administration 201
Ford, Mary Alice, cochair, Architectural and Transportation Barriers Compliance Board Planning and Budget Committee, letter from 517

Genovese, Joseph J., Assistant Inspector General for Auditing, Department of Transportation 555

Page

Golden, John, Director, Office of Congressional, Community, and Consumer Affairs, Civil Aeronautics Board 779
Gracey, Adm. James S., Commandant, U.S. Coast Guard 369
  Prepared statement 372
  Biographical sketch 378
Gregal, David L., letter from 526
Gresce, Lawrence A., Assistant Inspector General for Investigations, Department of Transportation 555

Helms, J. Lynn, Administrator, Federal Aviation Administration, letters from 351

Johnson, Robert, Executive Director, Architectural and Transportation Barriers Compliance Board 499
Johnson, William R., Managing Director, Interstate Commerce Commission 667
  Biographical sketch 681
Jones, Erika Z., Special Assistant to the Deputy National Highway Traffic Safety Administrator 201

Kaplan, Dan, Director, Office of Economic Analysis, Civil Aeronautics Board 779
Kasper, Dan, Director, Bureau of International Aviation, Civil Aeronautics Board 779
Kasten, Hon. Robert W., Jr., U.S. Senator from Wisconsin, questions submitted by 99, 767
Kissinger, Peter, Managing Director, National Transportation Safety Board 303
Kull, Joseph, Deputy Comptroller, Civil Aeronautics Board 779

Lewis, Drew, Secretary of Transportation, letter from 359
  Memorandum from 600

McFarland, J. Warren, Director, Office of Compliance and Consumer Assistance, Interstate Commerce Commission 667
  Biographical sketch 682
McKinnon, Dan, Chairman, Civil Aeronautics Board 779
  Prepared statement 782
  Proposal by 823
Mellups, Ivars, Acting General Counsel, Civil Aeronautics Board 779
Myers, David, Louisiana Coordinator of Vocational Rehabilitation Services for the Deaf and Hearing Impaired, statement of 523

Nelson, Capt. Robert T., Chief, Budget Division, U.S. Coast Guard 369

Page, Richard S., General Manager, Washington Metropolitan Area Transit Authority 109
  Prepared statement 110
Peck, Raymond A., Administrator, National Highway Traffic Safety Administration 201
  Prepared statement 205
  Letter from 251

Reynolds, William Bradford, Chairperson and Assistant Attorney General for Civil Rights, Department of Justice 499
  Prepared statement 503
  Biographical sketch 514
  Letter from 532
Rosenak, Janice M., Legislative Counsel, Interstate Commerce Commission 667
  Biographical sketch 681

Santman, Leon D., Director, Materials Transportation Bureau 159
Schaffer, Gloria, member, Civil Aeronautics Board 779
Scott, Dana L., Associate Administrator for Administration, National Highway Traffic Safety Administration 201

Page
Sherwin, Michael, Managing Director, Civil Aeronautics Board 779
Southard, William R., Director, Office of Transportation Analysis, Interstate Commerce Commission 667
  Biographical sketch 682
Stabile, Vice Adm. Benedict L., Vice Commandant, U.S. Coast Guard 369
  Biographical sketch 378

Taylor, Reese H., Jr., Chairman, Interstate Commerce Commission 667
  Prepared statement 674
  Biographical sketch 680
  Letter from 702
Trent, Darrell M., Deputy Secretary, Department of Transportation 1

Welsch, Joseph P., Inspector General, Department of Transportation 555
  Prepared statement 563
  Memorandum from 601
Wienhoff, Glenn W., Assistant Inspector General for Policy, Planning and Resources, Department of Transportation 555

Yost, Rear Adm. Paul A., Chief of Staff, U.S. Coast Guard 379
Young, Ronald S., Director, Bureau of Accounts, Interstate Commerce Commission 667
  Biographical sketch 683

Zukas, Hale, cochair, Berkeley, Calif., Transportation Committee, statement of 528

SUBJECT INDEX

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

Page

Authorizing legislation 534
Communications access 534, 544
Compliance complaints 543
Discretionary funds 546
Enforcement 547
Future requirements 545
Minimum guidelines and requirements 528
  Reserved sections 537, 550
Research:
  Activities 548
  Priority projects 531
  Reduction in 531, 538
Standard-setting agencies 530
Technical assistance 501, 540

CIVIL AERONAUTICS BOARD

Airlines:
  Mergers 830
  Reregulation of 799
Competitive marketing 795
Computer reservation system 809, 816
Consumer complaints 877
Deregulation:
  Airline losses 793
  Effects of 792
  International aviation 822
  Study on impact of 869
Discriminatory pricing 861
Field office closures 800, 813
Information systems 870
Selecting carrier, criteria for 841
Slot allocations 867
Special subsidies 848

CONRAIL (CONSOLIDATED RAIL CORPORATION)

FEDERAL RAILROAD ADMINISTRATION

U.S. RAILWAY ASSOCIATION

Capital projects 641
Conrail, proposed sale of 615, 624
Contract rates 641
Financial performance 644
Intermodal transportation 636
Line abandonments 628, 658
Profitability test 638
Safety record 647
U.S. Railway Association, future plans for 626

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Page
Air bags 212, 247
Alcohol safety 236, 276, 290
Crash tests 235
Fuel economy standards 274, 297
National driver register 233, 296
New car assessment program 255, 299
Program:
  Emphasis 202, 205
  Requirements 276
Research priority 218
Safety grants 246
Seat belts 282, 292

OFFICE OF INSPECTOR GENERAL

Audit:
  Assistance for external audits 590
  Coverage 583
  Requirements 574, 596
  Reports 586
  Savings 592
Bidrigging 556, 571
Fraud prevention efforts 576
Hotline complaints 565, 571
Investigative accomplishments 591
Regulation, reduction in 572
Suspension and debarment 598

OFFICE OF THE SECRETARY

Federal Aviation Administration 12
  Airline deregulation 24
  Air traffic system recovery 42, 61
  ATC safety 67
  NAS plan 97
  Reorganization 30
  Washington airports policy 47
Federal Highway Administration 8
  Buy America 79
  Highway obligations 39, 48
  New Federalism 93
  Surface safety 68
  User tax 36
Federal Railroad Administration 9
  Amtrak 64, 101
  Conrail 59
  Northeast corridor improvement project 60
  Rail branch lines 21
  User fees 100
National Highway Traffic Safety Administration 8
  Highway safety 55
Office of Inspector General 15
Office of the Secretary 15
  Deregulation, effects of 16
  Goals and issues 65
  Intermodal transportation 22
  Policy function 92

Office of the Secretary—Continued

Page

- Safety:
  - Secretary's priorities on 103
  - Task force on 52
- Transportation:
  - Policy 56, 66
  - Subsidies 74

Research and Special Programs Administration 15

- Research and development 78

St. Lawrence Seaway Development Corporation 14, 29

Urban Mass Transportation Administration 10

- Block grants 32
- Fiscal year 1983 apportionment 77
- Full funding for Metro 91
- Grant administration 95, 105

U.S. Coast Guard 13

- Boating safety 54
- Law enforcement 102
- Surveillance aircraft 20

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Emergency transportation 167, 195

Hazardous materials:

- Enforcement 175, 196
- Rulemaking hearings 169
- Transportation safety 165, 176

Major objectives 160, 164

Materials transportation bureau 190

Pipeline safety 178, 189, 197

Regulations 181

Regulatory reform 161

Safety 176

Surface transportation 178

Transportation systems center 162, 168

University research 193

U.S. COAST GUARD

Acquisition, construction and improvements 370, 374

- Expenditures for drug interdiction 479, 493
- Funding for law enforcement 399
- SAR workload 455

Aircraft availability 427

Boat documentation 431

Bridges, alteration of 375, 468

Budget comparisons 432

Capital improvement plan 439

Headquarters administration 421

Human relations policy 419

Law enforcement training 423

Marine accidents 456

National recreational boating safety and facilities improvement fund.. 371, 377, 410, 430

Operating expenses 370, 373

- Caribbean drug interdiction 380
- Drug enforcement, effectiveness of 416, 494
- E-2C, use of 381
- Helicopter procurement delays 418

Other funds 377

- Marine environmental protection 469

Research, development, test, and evaluation 371, 376

- Small water plane area twin hull (SWATH) 466

Page
Reserve training ... 371, 376, 465
Retired pay ... 374, 465
User fees ... 371, 377, 430

INTERSTATE COMMERCE COMMISSION

Bus service discontinuance ... 686, 703
Compliance plan ... 738
Deregulation:
    Alternative service ... 690
    Bus ... 685
    Effects of ... 684, 694, 700, 710
    Household goods movement ... 759, 774
    Truck ... 769
Enforcement ... 729, 773
Interstate Commerce Commission sunset ... 726, 768
Merger impact ... 713
Motor carrier safety ... 727
Owner-operator seminars ... 753
Rail contract rates ... 720, 747, 749
Rail profits, use of ... 695
Regulation task force ... 762
Small communities ... 748
State commissions, jurisdiction of ... 687

NATIONAL TRANSPORTATION SAFETY BOARD

Accident prevention goals ... 333
Air carrier safety ... 324
Air Traffic Control system recovery ... 350
Automobile safety ... 327
Cabin safety research ... 337
Drunk driving ... 328, 356
Flight recorders ... 322, 367
Grade crossing accidents ... 362
Hazardous materials ... 357
Highway accidents ... 355, 364
Investigative procedures ... 330
Recommendations, acceptance of ... 321, 344, 364
Seat belts ... 363
Transportation safety, human factors in ... 362
Weather operations ... 326, 345, 367

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Buy American ... 142
Farecard machines ... 147
Federal operating assistance ... 130
Fire safety training ... 143
Labor contract ... 131
Operable rail system ... 119
Operating assistance reductions ... 154
Rail cars:
    Procurement ... 148, 151
    Test plan ... 152
Rail construction program ... 119, 125, 135
    Capital program ... 146
    Status ... 155
Special equipment ... 128

O